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HONGKONG'S FLOURISHING FINANCES

The Members of the Hongkong Legislative Council must have left the Chamber after hearing last week's Budget speeches of our Governor and the Financial Secretary with a glow of satisfaction. They will try to do their best to disabuse that impression when their turn comes to debate the Budget, for it is the admirable tradition of the Unofficial Members to concentrate all their acumen on the discovery of holes, large or small, in the fabric of official complacency and estimates, and for once in a year—after working solidly in co-operation with Government throughout the other 364 days—to betray a little bile in their otherwise most amiable systems. But in this useful but not always welcome office they experience increasing difficulties. Truly the so-called Miracle of Hongkong seems to be never-ending. Every year is a record year, with many minor records as part of the whole. Every year a deficit turns into a surplus. Every year, as expenditure rises to new records, so too does revenue.

Once more all expenditure—ordinary and extraordinary—has been met out of revenue. And Mr. Clarke, the Financial Secretary, who always approaches this supreme issue of the Colony's financial position with due solemnity, permitted himself a slight deviation from his dedication to the facts and figures before him to muse on the time when he joined the Government service here in 1929, and the total Budget did not exceed the income now received from interest on the Colony's investments! A slight shudder, nevertheless, must have gone down the spines of many when they heard of the warnings from the Governor and the Financial Secretary about the water position. Hongkong's severe experience on this score makes water one of the few topics on which warnings are never brushed aside with cynical comment about having "heard all this before," so common in the case of deficits. Those

who may have supposed that with the completion of the Tai Lam Chung reservoir—and the surfeit of water we enjoyed after the record rains in the earlier part of last summer—the end had come to the Colony's long travail, had a rude awakening. To begin with, not even the experts can yet say whether the Shek Pik reservoir project on Lantau is or is not feasible. That will depend on the outcome of the grouting trials. But water is being used in such huge quantities now, especially by industry, that even if Shek Pik fulfils the hopes so dearly laid upon it, it may still be inadequate for the needs of this growing, expanding, thriving place, in which industry is now one of the biggest of all consumers.

The speech of the Governor reflected the uncertainty aroused in local industry over the effect of the formation of the proposed European Free Trade Area and the continued pressure from Lancashire for the restriction of imports into the U.K. of cotton cloth from Hongkong. He mentioned, without enlarging on details, the completion of the negotiations with the Military for the taking over of the Murray Barracks, Parade Ground, and detention barracks, with certain agreements for re-provisioning, and the early re-opening of the Clearwater Bay peninsula to the Public. It had been for some years a storage area for the Army. This area and a good deal of the adjoining area will be open for extensive development in due course. The agreement calls for the completion of substitute buildings for the Army within two years of the approval of sketch plans by the War Office, but release of the land is not expected for another 3½ years. Neither this land nor the Royal Naval Dockyard, which is to be run-down over the next two years, yet figure in the planning. The planners have quite enough as it is on their plate, but the re-planning of both the Military and the Naval lands in the very heart of the

city will be a tremendous opportunity not only to alter the whole aspect of the road traffic problem but to give the waterfront that superb, if not grandiose, appearance which the P.W.D. and other architects have envisaged already.

The Governor praised the "strikingly successful" work of the Employment Liaison Office set up to find new employment for discharged Naval Dockyard employees, and referred with justifiable anger to the mischievous, if not malevolent, forces at work behind the scenes. Some of those whom Government is able to help have been persuaded not to accept the new employment. "There has been extensive and patent misrepresentation of the re-employment position," said the Governor. "I condemn these activities without reservation as being detrimental to the interest of the Dockyard employees, to the efforts of Government on their behalf, and to the interests of the whole Colony." In his peroration Sir Robert Black expressed his admiration for the achievements of the people of

Hongkong; for the remarkable and resolute way they have tackled their economic and social problems.

Ratepayers are now quite accustomed—one had almost said inured—to the truly remarkable financial feat, year after year, in view of the immense amount of work that is being done. But like the harbour scene at night it never loses its glamour or fails to promote a certain amount of incredulity. Once again the nest-egg of uncommitted reserve equals the ever-rising revenue, which for the past year exceeded the \$500 million mark for the first time. True, the Budget for the year 1958-9 provides for a deficit of a size not quite so easily laughed off as were the trifling deficits—always turning into surpluses in the result—of former years. But a deficit of \$87½m. loses stature against a bill for non-recurrent, or extraordinary, public works of more than twice as much; and in any case it is likely that many of the things within that programme may not be done after all.

The Financial Secretary, who has been staging this performance of astonishing solvency ever since 1952—not without occasionally administering a damper to the over-enthusiastic—reverted to the point he raised a year ago: the possibility of dividing the Budget into two sections, capital and recurrent. A good deal of consideration had been given to this and indeed it was discussed when he was in London. The total capital expenditure in the financial year 1956/57 was \$165 millions, comprising Special Expenditure, Capital Subventions, Public Works Non-Recurrent, Colonial Development and Welfare Schemes and Miscellaneous. To balance this capital expenditure there were on the other side five items of revenue concerning whose capital nature there can be no real dispute. Two further items, including Estate Duty, were also included which might reasonably be regarded as revenue of a capital nature. But all these items together produced only \$61½ millions, so that capital revenue fell short of capital expenditure by over \$103 millions, which had to be found from recurrent revenue. This came to \$448 millions. Recurrent expenditure came to \$304½ millions, or considerably less than three-quarters of recurrent revenue, and a surplus of a little over \$40 millions remained after the contribution of \$102 millions to the capital side. The position so disclosed could not be regarded as a thoroughly satisfactory one. Recurrent revenue could be very vulnerable to even a slight recession in economic activity, whether in Hongkong or elsewhere; recurrent expenditure, on the other hand, like Old Man River, just keeps rolling along.

Nearly a quarter-million people have been rehoused, but with an estimated increase, natural and otherwise, during the past year of 142,000, and some 325,000 still without any regular housing, with a further 65,000 living on the rooftops of private tenement buildings, the resettlement problem seems endless. Yet \$175 millions of private capital were spent on building costs alone in 1957, of which \$127 millions were for housing. The multi-storey accom-

PROBLEMS AND ACHIEVEMENTS OF HONGKONG

Extract of the Governor's, Sir Robert Black, Review of the Year 1957 before Members of Legislative Council:

In this Chamber, six weeks ago, I referred to the brilliant administration of my predecessor, Sir Alexander Grantham, and I repeat my acknowledgment today. The review which I have been undertaking underlines the success of his administration and the wisdom of the policies laid down during his period of office. We should be most unwise to vary the general principles of policy already laid down, and that means acceptance of certain tasks of a monumental, as well as of a momentous, nature which relate directly to our greatly inflated population. Sir Alexander, last year, commented particularly on this difficult question and described it as a problem of people. Whichever way we turn in reviewing our commitments we come slap up against it. Just as I am certain that the policies were rightly taken in accepting the necessity for planning and expenditure arising out of the presence amongst us of so many people, so I am convinced today that we must go on accepting these commitments.

Population—We have had special worries in these last years while attempting, fortunately with success, to restore a balance to our economy following the grievous effects upon it caused by trade embargoes. These worries have been complicated by the refugee problem and we have been dealing with a complex of issues. In terms of population, where are we today? It is estimated that we have reached the figure of 2,677,000, of whom 83% live in the built-up urban areas of Hongkong, Kowloon and New Kowloon. We do not pretend that these figures are accurate, but it is most unlikely that we have over estimated. During 1957 the population increased once again by more than 100,000 souls; and, once again, we are bound to attribute a large proportion of this increase to immigration. Of the total estimated increase, which is said to be 142,000, we can only account for some 78,500 as the natural increase of the population by the excess of births over deaths. The difficulties of housing 142,000 persons in any one year are in themselves formidable enough, but of course this number represents an addition to those already with us who are without any regular housing at all; and it is calculated that that number is still about 325,000.

Low-Cost Housing—During the past year, Hongkong made appreciable progress in housing. The building boom

moderation provided for more than 160,000 persons and released 250 acres of valuable land for more housing, schools, welfare, playgrounds, factories and public works schemes to provide new roads, drains and water supply systems. Resettlement schemes will provide for 450,000 persons by about 1962. The uncommitted reserves are now only a few millions short of the \$500m. which has now been attained by revenue and in another expected year of records revenue is expected to soar to \$556.6 millions this year. The total expenditure in 1958/9 is estimated at \$641½m. There are no less than 141 items in the long list of public works with a total commitment of over \$750m, of which \$183m. is expected to be spent in the ensuing year, but the Financial Secretary clearly did not believe he would end the year with a deficit of \$87½ millions.

of the last few years has continued and we all have much to be thankful for in the activities of private enterprise. During 1957 more than \$175 millions of private capital were spent in building costs alone; this is the highest figure for any year since the war and of this sum more than \$126 millions were spent in the building costs of domestic accommodation. The efforts of large employers to provide accommodation for their employees continued during the year, and a number of firms have been engaged in building flats for employees. In its own role as employer, Government has continued to encourage its local servants by the provision of loans to form co-operative building societies and, by the end of last year, there had been registered 85 such co-operatives with a total membership of 1575, while approval had been given for projects involving loans of more than \$46 millions. More schemes are under consideration. The Hongkong Housing Society has more flats under construction at Hung Hom and at Sheung Li Uk, and it is also expanding its estate at Healthy Village while undertaking site formation for more flats at Kwun Tong and at Tsuen Wan. The Housing Authority opened its first estate at North Point at the end of last year; it hopes to open its Cadogan Street estate during this year and it is engaged on site formation work at So Uk in Kowloon, with two other projects under examination.

Resettlement Estates—We regard our housing programme as twofold in nature, because we have to concern ourselves not only with those sections of the community now living in over-crowded tenements or seeking accommodation in the ordinary way, but also with our squatters. For the latter, we have continued the policy laid down in 1954 by which the Public Works Department, using Government funds, constructs alternative accommodation for squatters in seven-storey blocks. Since we took that decision we have completed multi-storey accommodation for more than 160,000 persons. We have released 250 acres of land which we can use for permanent development for housing schemes, schools, welfare centres, public playgrounds, factories, and for public works schemes to provide new roads, drains and water supply systems. There is no doubt in my mind about the necessity for pursuing this policy vigorously until all squatters have been resettled. Although slowed down somewhat by site formation difficulties, we succeeded in completing during the year multi-storey accommodation for 28,000 persons as well as new cottages in the cottage resettlement areas for a further 3,000 persons. By the end of this month there will be more than 78,000 squatters living in the cottage resettlement areas, and more than 161,000 in the multi-storey block estates; a total of 240,000 persons. The number of persons still living in illegal structures is also about 240,000, which does not take into account that there are some 65,000 persons living on the rooftops of private tenement buildings. In addition to the completion of the three estates still under construction, it is hoped to establish five new estates, four on the mainland and one on Hongkong Island, and, when we have completed these schemes, probably by 1962, we shall have provided, in 14 cottage resettlement areas and 11 multi-storey estates, accommodation for 450,000 persons. A large resettlement factory building at Cheung Sha Wan has been completed. It has 94,000 square feet of workshop space for the resettlement of squatter factories and workshops, mainly for those using power-driven machinery which are not suitable for accommodation in the ground floors of normal resettlement buildings. In this way we are both main-

taining a contribution to the productive capacity of Hongkong and are assuring continuing employment for industrial workers.

Social Service—Many of the voluntary agencies and charitable organisations, which already do so much good work in various parts of the Colony, have realised the great need for welfare and educational work in these estates and are seizing the opportunities presented. As every new building is completed, one large rooftop with penthouses at either end is now immediately allocated to a voluntary agency wishing to open a boys' and girls' club or a primary school. There is now a waiting list of applications for the rooftops of buildings which have not yet been completed. Other organisations are concerned with medical services; for instance, the Shek Kip Mei Fire Relief Committee made a substantial contribution towards the construction of the Government health centre at Shek Kip Mei. When we regard the whole area of the Colony, we see the magnification of what we have to do in providing social services for the whole community, and it is an enormous task indeed; a great burden to be accepted by this small Colony of ours.

Water Supply—There is no use blinking the fact that the water situation, which for so long now has been critical for us in Hongkong, is going to continue to be critical and that, apart from the personal inconvenience which the people of Hongkong continue to experience in consequence, shortage of water is a great obstacle lying across the path of our programme for industrial development. We must have water for this and we must continue to expand our industries if we are to keep our economy strong and to absorb our ever increasing population. We have practically completed work on the Tai Lam Chung Scheme with the exception of the catchwaters; we shall require another three years to finish these. We have been drawing an average of 16 million gallons of water each day from the new reservoir since March of last year and, when all the catchwaters are ready, it should be possible to draw from the same source an average of 27 million gallons each day. It has become increasingly certain, however, that the strain on our resources of water, even when we are supplementing these by the additional supplies from Tai Lam Chung, will not be eased sufficiently to meet our requirements, the requirements which arise from the new housing schemes and the siting of these on higher levels, from the development of light industry, and from the demand imposed both by an increasing awareness of the value of hygiene and by improved standards of living. A firm of specialists is now engaged on determining whether the foundations for another large reservoir scheme at Shek Pik on Lantau can be made waterproof. The consulting engineer's report received last year indicated that this scheme was not going to be an easy matter. If the report proves to be unsatisfactory, then we face a most serious situation, and, even if we can go ahead at Shek Pik, I fear that we shall still have to look for other sources of supply.

Medical Service—Tuberculosis is undoubtedly our most dangerous disease, and the opening of the new Anti-Tuberculosis Association's Grantham Hospital for 540 beds marked a valuable contribution towards its solution. The B.C.G. vaccination programme is expanding in scope and, by increasing resistance to the disease, is a valuable means of preventing the spread of infection. Recently the Medical Department introduced prophylactic treatment with INH of children showing evidence of exposure to infection, although without actual signs of the disease; it is hoped that this may prevent the development of the active disease which is responsible for the very large proportion of deaths of young children.

An increasing number of local Kaifong Associations and similar bodies are promoting the building of clinics in their districts. This is a welcome expression of self-help and merits our support and co-operation. The presence of these clinics will augment the medical services and it is appropriate also, at this time, to acknowledge further acts of generosity on the part of the Hongkong Jockey Club both in building and donating to Government the large new clinic and maternity hospital at Taipo and in presenting a launch, specially designed as a floating clinic, to serve the needs of the remoter islands and coastal areas of the New Territories, which are not easily accessible by road, and to answer calls by the fishing fleets at sea. In 1957 there was recorded by far the largest expansion in the number of new clinics in any one year since the war. We hope, in this present year, to see the materialisation of the long awaited large and well-equipped new polyclinic at Sai Ying Pun. This clinic, in addition to all the normal general out-patient services, will provide specialist consultant services, a new tuberculosis out-patient clinic with radiological facilities, and a new public laboratory which will be equipped to deal with all routine investigations, particularly those connected with the purity and safety of food products. The Tung Wah Hospital Group's projects, both in relation to the new wings to be added to the Tung Wah Hospital itself and to the planning for the rebuilding of the Kwong Wah Hospital, are important contributions to our medical services. Work on the second phase of the new Mental Hospital has already started, and we are now about to embark on the great project in Kowloon, the new hospital for 1300 beds.

Education—We are now in the fourth year of a seven-year plan, based on the premise that primary schooling should be available to all children between the ages of six and eleven years inclusive. The aim of the plan is to ensure that, by the end of 1961, the number of primary school places in all schools in the Colony will equal the number of children of normal school age in that year. It is hoped that, during the plan's fourth year, we will not only have exceeded the quota of 33,000 places fixed for this year but have eliminated a deficit which existed last year. The provision of facilities for education, whether it be at the primary level, the secondary level or in higher education, is not only influenced by available funds but also by available sites. We realise that such sites as we have will have to be developed to the absolute maximum and that we may have to build larger schools on smaller sites than at present and to build them up to five or six storeys.

The new Technical College on the Hung Hom reclamation is providing increased accommodation both in the number of technical courses and in the number of students, and this now covers day and evening classes in textile technology and a pre-sea training course to prepare for cadetships at sea. We have also noted a marked increase in enrolment in secondary technical schools and this may compel us to consider the practicability before long of providing an additional secondary technical school. Standards at Chinese secondary schools, and further opportunities for students leaving such schools, are matters which have been receiving particular attention during the year. It is encouraging to find that the Chinese School Certificate has now gained greater recognition for employment purposes and that it is accepted for entry into an increased number of Government and other posts, although for some posts a credit in English is still necessary. Government has decided to make annual awards to the best students at the Chinese School Certificate Examination of 15 scholarships and 40 bursaries for entrance to selected post-secondary colleges in Hongkong.

More schools mean more teachers, and to help in meeting this Government hopes to start work this coming year

on a new building for the Northcote Teacher Training College to provide for an output of 300 teachers a year in addition to the output of about 300 teachers a year now coming from the Grantham Training College.

Commerce and Industry—The value of imports last year exceeded the figures for 1956 by 12.8%, while our exports, conversely, were 6% lower than in the preceding year. This represents an adverse balance of visible trade of nearly \$777 millions more than in 1956, but these figures do not take into account our invisible earnings from banking, insurance and all the other services associated with a port and with the entrepot trade. We have no precise means of knowing what the invisible earnings of these services and of the tourist industry are, and, in the circumstances of Hongkong, I incline to the view that as long as what we buy we can pay for almost on the nail with cash already in hand we can be satisfied, and that our real concern arises when our imports fall excessively for no reason which we can readily explain. Although our exports were not so high last year as in 1956, they were nonetheless higher than in any other year since the Korean War boom of 1951, and the greatest part of the difference between the export figures for 1956 and 1957 can be accounted for by a reduction in the value of goods sold to Indonesia, whose political and economic difficulties during the period made the country an unpredictable market for our merchants. Lastly, a significant part of the increase of imports arises out of capital investment in machinery, transport equipment, and the like; and this is all to the good.

The value of goods for export made, or partly made, in Hongkong exceeded the 1956 figures by more than \$11 millions, despite some falling off in prices, and this represents about 26% of our total exports. It is safe to say, however, that the real value of Hongkong products is about 40% of total exports. This is a very encouraging sign, as is the fact that our manufacturers continue to branch out into new lines and to improve on those already established. We were able to show many of these to advantage at the World Trade Fair in New York and at the Autumn Trade Fair at Frankfurt. Sir Alexander Grantham, on the occasion of the Annual Exhibition of the Chinese Manufacturers' Association, suggested that the time had come for Hongkong to have a federation of all its manufacturing industries. Public response to the proposal has been gratifyingly favourable, and a strong and well-balanced committee, set up to examine and report on it, has already begun its deliberations. Underlying the formation of this committee and the reappraisal of our policy is the consciousness of the need to maintain and expand overseas markets for the products of our industries. Government has endeavoured to help by providing land for new factories as well as for those factories which have need to expand, and we are exploring the possibility of further reclamation schemes as a result of which, if the portents are favourable, we may obtain further suitable land to meet our industries' requirements.

We start this new year with two shadows still hanging over our industry and trade. One is the gradual formation of the European Free Trade Area and the other is the continued pressure from Lancashire for the restriction of imports into the United Kingdom of cotton cloth from Hongkong. It is still too early to tell how the Free Trade Area, as eventually determined, will affect the Colony's trade, but you may be sure that Government will do everything in its power to ensure, as far as possible, the mitigation of any ill-effects. I do not know whether Lancashire interests will make a further attempt to negotiate some voluntary arrangement with their counterparts here and in other countries; it may well be that this particular storm will blow

over as the dyeing and finishing sides of the Colony's industry expand and absorb more and more of the unfinished cloth now going to the United Kingdom.

Agriculture—Last year was not a good one for farmers in the New Territories. They faced the disastrous consequences of floods, typhoons and greatly reduced prices for pigs and poultry. Nonetheless agricultural production is being maintained at a high level, and this was well demonstrated by the range and quality of the New Territories' products at the Agricultural Show in January. The soil survey, which is now being undertaken, and the land utilisation survey, completed some three years ago, are of great service in deciding the elements of our agricultural expansion. Increased production during the last four or five years has resulted from better farming practices, and of equal importance have been the organisation of marketing, the extension of co-operative societies and the provision of credit in the form of loans to farmers—in which connection I should like particularly to mention the Kadoorie Agricultural Loan Fund and the J. E. Joseph Trust Fund. The Kadoorie Agricultural Aid Association has continued to give valuable assistance during this year.

New Airport—Marked progress has been made during the year in the major engineering project of the airport at Kai Tak. All reclamation and marine works have been completed and the runway pavement half completed. We hope that it will be possible to bring the new runway into operation in August or September of this year.

Other Problems—We have now completed our negotiations with the Military for the taking over of the Murray Barracks, Murray Parade Ground and the Detention Barracks, with certain agreements for re-provisioning. The Clearwater Bay Peninsula will soon be opened to the public. This area, which has served for some years as a storage area for the Army, has recently been released and, as soon as the road running through it has been put in order, it will be available for general use. The closure of the Royal Naval Dockyard is regrettable but necessary; there is no other course, and we must now accept that fact. The re-adjustments following on the closure must cause apprehension and anxiety to many employees, but the Government is doing everything in its power to mitigate actual hardship. The patient and laborious work of the Employment Liaison Office has been strikingly successful so far and, if we are to continue this success in the future in finding new jobs, we shall require still further co-operation from employers and from the Dockyard workers themselves: the employers in finding new openings, and the workers in co-operating with those who are trying very hard to find new jobs for them. There has been evidence that some of those whom Government is able to help have been persuaded not to accept new employment. There has been extensive and patent misrepresentation of the re-employment position. It is such activities as these that are the impediments to the smooth re-adjustment towards which Government, the Naval authorities and the employers of labour are working. These activities are detrimental to the interest of the Dockyard employees, to the efforts of Government on their behalf and to the interests of the whole Colony.

The Secretary of State has recently approved a considerable relaxation in the financial control which he exercises over Hongkong. In 1948 the Colony was released from Treasury control and given a large measure of autonomy over its own finances. The control which the Secretary of State still retained at that time was that his approval was required for the annual Estimates, for supplementary provisions exceeding \$1 million in the case of capital expenditure and \$¼ million in the case of recurrent ex-

THE PUBLIC FINANCE OF HONGKONG AND BUDGET FOR 1958-59

Extract of the Budget speech by the Financial Secretary, Mr. A. G. Clarke, at last week's meeting of Legislative Council:

Financial Year 1956/57:—Last year I gave a revised figure of \$493.3 millions as the estimate of revenue for 1956/57. The final result came out at \$509.7 millions—a record figure. This is the first time that the revenue of the Colony has topped the five hundred million mark. The largest single excess on any subhead of revenue was in respect of Estate Duty, the yield for which was \$24.4 millions. The revenue from duties of all kinds came to \$97.3 millions as against the revised estimate of \$94½ millions. Interest on moneys lent or invested topped \$20 millions for the first time. Land Sales yielded almost \$15 millions. As against these very satisfactory increases the yield from Earnings and Profits tax fell to \$89.4 millions, or 10½ millions under the original estimate. This has been the worst year for Earnings and Profits tax since 1951/52.

The final figure for expenditure turned out to be \$469½ millions, as against the revised estimate of \$484 millions. The total would have been even less but for the transfer of \$10 millions to the new Local Loans Fund, and the expenditure of over a million as a result of the Kowloon disturbances of October 1956. There was considerable under-expenditure on Public Works Non-Recurrent, although not on the scale of previous years; the provision of \$126 millions was underspent only by a little over \$13 millions. Recurrent Educational Subventions were over-estimated by almost \$3½ millions, and Non-Recurrent Educational Subventions by almost \$6 millions.

The result of the year's working was therefore a surplus of \$40.1 millions. In addition, our investments, when revalued on the 31st March last, showed an appreciation of \$6.6 millions, so that at the end of the year our General Revenue Balance—cash and investments—had gone up to \$358.2 millions. At the commencement of the pre-

penditure, for the issue of any loan and for any expenditure involving important points of principle. The Secretary of State has, in view of the good standing, financial and administrative, of the Colony, further relaxed his control and no longer requires the Estimates to be submitted for his approval nor requires supplementary provisions to be authorised by him. On the other hand, he wishes to extend the principle of demi-official consultation which is already in use, and I have agreed that the Financial Secretary will keep the Finance Department of the Colonial Office regularly and fully informed about this Government's financial policy and about the way that this policy works out in practice. The Financial Secretary will take account of the views of the financial advisers of the Secretary of State in advising this Government on policy.

Finally, I should like to take this opportunity of expressing my admiration for the achievements of the people of Hongkong; for the remarkable and resolute way they have tackled their economic and social problems, and for the manner in which they have fulfilled, and are continuing to fulfil, their obligations to the more unfortunate of our fellow men who are amongst us. Whether or not we receive aid from other sources, I know that the people of Hongkong will continue to do their best and, by any standards, Hongkong's best represents a very fine achievement.

sent financial year, the sum of the General Revenue Balance and the Revenue Equalisation Fund, which together constitute the Colony's uncommitted reserves, was \$495,877,000, a figure which is very close to the actual revenue figure of \$509.7 millions for the year just then ended. At the beginning of this financial year, we had in the Colony, in cash and deposits at the bank, a total of almost \$148 millions.

During the year public debt increased from \$63¼ millions to almost \$73 millions. The cause of this increase is the money that we have drawn from the interest-free loan made available by Her Majesty's Government for the new airport. The amount so drawn was \$10.6 millions, but this increase in our indebtedness has been offset slightly by the annual drawing of the bonds issued in 1934 and in 1940. The 1934 loan will be finally paid off next year, so that if any of these bonds were obtainable, they would represent a very good investment at the last quoted price of 89. The Sinking Fund, which is being built up for redemption of the Rehabilitation Loan of 1947, now stands at over \$14 millions, as against outstanding indebtedness of \$46,666,000. Her Majesty's Government has requested that the airport loan of £3,000,000 shall be repaid by annual instalments of £200,000, the first instalment to be made in the financial year 1961/62.

The Dollar Note Security Fund again showed a loss on the year's working, but the accumulated deficit was slightly reduced due to the fact that the investments of the fund showed an appreciation during the year. It is possible that the fund will show a somewhat larger deficit during the present year, as an effort is being made to improve the standard of the note issue and to withdraw the many dirty notes in circulation. This has meant placing very large orders for new notes to replace them and to build up an adequate reserve. We managed to survive our annual crisis at Chinese New Year without any difficulty, but once again the circulation figures for Government notes and coins were well up. At Chinese New Year last month the figure for dollar notes in circulation with the public was 43.4 millions as against 40.3 millions twelve months ago. The number of 50 cent coins in circulation was 11.9 millions as compared with 10.6 millions; for 10 cent coins the figure was 103.8 millions as against 96.3 millions; and even for 5 cent coins the circulation went up from 23.8 millions to 26.6 millions.

So far as the issue of bank notes is concerned, the total of certificates of indebtedness held by the three note issuing banks stood at \$665,141,173, the same figure as twelve months previously. On the same date the assets of the Exchange Fund covered this liability to the extent of over 111%. Just over one third of these assets was in the form of cash or money at call or short notice.

The Waterworks accounts show a loss of almost three quarters of a million dollars. During that year water restrictions were very severe and we were unable to sell anything like the amount of water which we should have liked, but actually that sales of water brought in only \$300,000 less than the year before. With additional water available from Tai Lam Chung reservoir it is probable that the results of the present year may be more satisfactory, but on the other hand there is as yet no provision in the accounts for amortization of the heavy capital expenditure that has been incurred on Tai Lam Chung, this step having been deferred until the scheme is complete. When this capital

charge begins to appear in the accounts it may well be that the increase in revenue from sale of water will be more than offset by the additional Sinking Fund contribution, and then an increase in the price of water will be inevitable. However, a decision on this matter can be deferred until we have the results of the present year's working.

Financial Year 1957/58:—The most encouraging feature of this year is the very good recovery in Earnings and Profits Tax after the depressing result of 1956/57 when collections totalled only \$89.4 millions. It is now expected that this year will produce \$105 millions, an increase of 17½%. Profits during the year 1956 have been somewhat higher than in the previous year, and part of the increase of over \$15½ millions is due to increased receipts from Property Tax, on account of the vast amount of building and rebuilding which has been going on.

There is a very considerable increase in revenue from luxury taxation, almost all in duties of various kinds. Entertainment Tax so far is up by only 6% on last year, but tobacco is well up. Actual collections of tobacco duty over the first forty weeks of the present financial year show that the takings are up by \$65,000 a week on last year, that is approximately 8%. It is now expected that this subhead alone will reach \$46 millions—once again a record. The actual total revenue of the Colony in the year 1939 was less than this figure, being only \$41,478,061. Of that total \$11,156,450—over 25%—came from duties of all kinds. For the present year, on the revised figures, duties account for only 19% of the total estimated revenue of roughly \$557 millions.

Liquor duty is also up. Collections over the same period of forty weeks show an increase of \$52,000 a week or almost 12%. The remaining types of duty also show increases, but smaller ones. If we take the duties on Hydrocarbon Oils, on Proprietary Medicines and Toilet Preparations, and on Table Waters together, the increase is \$35,000 a week, or approximately 5½%. The total revenue from duties of all kinds is now estimated at \$106 millions for the present year, as against the actual figure of \$97.3 millions for last year.

This figure exceeds by a million dollars the revised estimate for Earnings and Profits Tax but, judging from the latest returns, it is not at all unlikely that when the final results are available, it will be found that Earnings and Profits Tax will have re-established its position as the main revenue producer. According to figures from the Inland Revenue Department completed up to 31st December 1957, the number of assessments issued in respect of the year of assessment 1954/55 was 71,911, and total tax assessed was \$78.1 millions. For the year of assessment 1955/56 there were 73,630 assessments and total tax assessed was \$81.5 millions. For the year of assessment 1956/57 there were 86,438 assessments for tax totalling \$89 millions. For the present year of assessment, 1957/58 up to 31st December last, the number of assessments issued in the nine months was 79,096, and the tax assessed to that date was \$84.7 millions. Bearing in mind that the tax assessed for any year of assessment is usually in respect of profits for the preceding year, it will be seen that prosperity does seem to have increased steadily from 1953 onwards. Unless economic conditions deteriorate very badly we can reasonably count on between \$80 and \$100 millions a year from the operation of the Inland Revenue Ordinance.

Of other items of revenue, stamp duties are now expected to produce \$24 millions this year as against \$21½ millions for last year, due in large part to the continued high prices being paid and received for land. The same

cause is responsible for the large increase in the estimate for Land Sales, where revenue is now expected to approach \$20 millions as against just under \$15 millions for last year. The latest indications show that the final figure may well be in excess of \$25 millions. A lesser increase in revenue is expected from the Kowloon Canton Railway where the estimate of \$6 millions has now been revised to \$8 millions. This is entirely due to an increase in the number of passengers travelling. This will be another year of records; Duties will be a record, again, so will Land Sales, Rates, Post Office receipts, Stamp Duties. Earnings and Profits Tax may possibly be a record. The revised estimate of total revenue is \$556.6 millions as against the original figure of \$507½ millions.

Against this revised revenue estimate, the estimate of expenditure has been revised downwards from \$561.2 millions to \$555.6 millions, a fall of \$5½ millions. A number of departments show reductions of varying amounts in their estimates, but a few have increased, the most noteworthy being the Stores Department, which expects to spend \$17 millions more than estimated. This is not really true expenditure in that the money has gone into unallocated stores, large stocks of which came forward after the Suez crisis and have not yet been issued. With the considerable accumulation of stocks at the moment it is possible to order a little less now, and the over-expenditure this year will help us financially in future years. Public Works Recurrent are expected to cost \$6½ millions more than originally estimated. Miscellaneous Services are also expected to cost \$3½ millions more than was estimated, mainly because of the additional money that was made available for farmers in the New Territories, who suffered so severely during the spring of last year. Against these increases, Public Works Non-Recurrent will cost \$20 millions less than was expected. Thus with a revised revenue estimate of \$556.6 millions, and a revised expenditure estimate of \$555.6 millions the result of the year is expected to be a surplus of just over a million dollars. This figure will in fact be greatly exceeded. During the twelve months from January, 1957, to December, 1957, actual revenue was approximately \$575 millions, as against actual expenditure of almost \$520 millions, showing a surplus of \$55 millions for the period.

The total assets of the Development Fund on 31st March 1957, amounted to \$133¼ millions. Of this amount only about a third, \$47.8 millions, was out in loans and advances, the balance of \$85.9 millions being still available. Of these loans and advances, the Housing Authority accounted for \$23.8 millions, the Hongkong Housing Society, \$8.8 millions and local officers' Co-Operatives Housing Societies, \$11.5 millions. The income of the Fund from interest on loans, investments and bank deposits during the year came to \$3¼ millions. The last published accounts of the Fund showed the position as at the 31st December last. The total of the Fund had grown to \$147.2 millions, the income for the nine months being over \$13 millions. But of this \$13 millions, \$10 millions constituted a windfall from the funds formerly under the control of the Custodian of Property, the transfer of which to the Development Fund was approved by this Council on the 31st July, 1957. On 31st December the total of loans and advances from the Fund had increased to \$60½ millions. The amount expended on the reclamation at Kun Tong was \$3.8 millions, but already \$2.7 millions had been recovered by sales of sites, so that the net advance shown in the capital account was only just over a million. The total of advances to the Housing Authority had grown to \$32.7 millions, and that of local officers' Housing Co-Operatives to \$16 millions.

Financial Year 1958/59:— For 1958/59 the estimate of revenue is \$554 millions, about \$2½ millions below the revised estimate for the present year. This reduction is more than accounted for by the fact that the estimate for Earnings and Profits tax has been put at \$100 millions as against \$105 millions in the revised estimates for 1957/58. I am assured on all hands by business people that profits during the year 1957 are on a lower scale than for the previous year, and if this is correct then there must be a corresponding reduction in revenue for the next financial year, but it will be very interesting to see whether this belief is borne out by the ultimate results. The estimated yield from Duties is put at \$2¾ millions above the revised estimate for the present year, but the two largest increases are under Heads 2 and 9. Rates are expected to exceed \$70 millions for the first time. In the financial year 1954/55 the actual yield from rates was just under \$50 millions. The increase on Head 9 is due to a further rise in the estimated receipts by way of interest on loans and investments. The figure for next year is \$26 millions. The estimated yield from Business Registration fees, which are included under the Inland Revenue Head 3, is \$6 millions. For many small businesses the fee of \$200 is too high. Consideration is being given to amending the law in order to reduce the fee, and to redefine what we mean by a business. The necessary legislation will take some time, and meantime we shall carry on as we are going, but if we do proceed on these lines, revenue from this source will fall far short of the estimated \$6 millions.

In the expenditure estimates only one expenditure Head is down for next year. It is the Kowloon Canton Railway, the estimate for which is less by a million dollars than the approved estimate for the present year. The reason for this is less capital expenditure and reduced recurrent expenditure. Practically all the other Heads are up. The Police estimates are up by \$10 millions on this year including one million dollars for parking meters. It is proposed that the charge for parking in busier streets shall be 50 cents for each two hours' parking. The Education and Medical Departments are up by \$6½ millions each. Miscellaneous Services are up by \$4½ millions, but of this amount \$3¼ millions are attributable to a grant to the Local Loans Fund, which is likely to run short of cash dur-

ing the next year. Subventions are up by \$4 millions, of which \$600,000 are for the Tourist Association. Public Works Department estimates are up by \$3½ millions, and it is especially to be noted that all of this is due to a large increase in establishment, necessary for the increased responsibilities of this department. Public Works Recurrent are up by \$3½ millions, reflecting the increased maintenance necessary for more public works of one kind or another. The Post Office is up by \$2½ millions, and the Urban Services, Head Office and Sanitary Division is up by \$1½ millions. The Prisons Department is up by a million and is now becoming quite a costly department, its total estimate for next year being \$8½ millions. Five other departments are up by half a million dollars each, and even the Gardens Division of the Urban Services Department is up by \$200,000; all our new parks and playgrounds have to be maintained. The estimates for the Treasury under Head 42 has been considerably increased.

Under Public Works Non-Recurrent there are 141 items in the long list of public works, and the total commitment shown is over \$750 millions. Of this commitment it is expected that \$183 millions will be spent during the forthcoming year. The largest single item of expenditure is, once again, the airport, for which \$35 millions have been provided. The revised estimate of the cost of the airport is \$110 millions. This figure does not include the cost of the terminal facilities. Water is again going to take a great deal of money, \$36 millions. Of this sum the Tai Lam Chung scheme will need \$16 millions. The reservoir itself is now complete, but the work on building catchwaters and providing the necessary distribution facilities will go on for some years yet. There is a provision of \$11 millions for the new reservoir at Shek Pik. The result of the tests as to the practicability of the project, now in hand, should be known within another month or so. There is a list of twenty four schools and colleges on which work either will be finished, or will proceed, or will commence, during the forthcoming year. The Medical and Health list is also of very great interest. The Mental Hospital will be well under way next year, and it is expected that \$6 millions will be spent on the new Kowloon General Hospital and quarters. The new mortuary in Kowloon will probably approach completion during the forthcoming year, and a

start will be made on the new Colonial Cemetery at Chai Wan, and on a crematorium in the same region. After much delay the scheme for the abattoir at Kennedy Town has now been reconsidered by the Urban Council and the decision has been made that instead of one large abattoir for the whole Colony there shall be two smaller such institutions, one at the designated site at Kennedy Town, and the other at Cheungshawan. There is a long list of Government buildings, offices, magistracies, fire stations, post offices, and so on. An effort is being made to decentralize the administration as far as possible and three of the new magistracies will have additional accommodation for offices. It is hoped that a start will be made on a large block of Government offices at Caroline Hill, and it is also probable that a start may be made on the long delayed City Hall. There is another big bill for new roads and for reconstruction and improvement of existing roads. The Public Works Department proposes to start work very soon on rebuilding the first section of the road from Laichikok up the hill to the gap. There is also provision of a million dollars for building a subway under Connaught Road so that passengers to and from the Star Ferry pier will not have to cross against the traffic. There are five major reclamations under way at Tsuen Wan, Cheungshawan, Chai Wan, Hung Hom, and along the water front in the Central District. It is intended that the Central reclamation, which now accommodates the Star Ferry piers, shall be extended down the whole water front to the neighbourhood of the harbour office, and it is hoped that much of this new land may be sold and that a substantial profit may ultimately be realised on the cost of reclamation. Provision, under the same heading of Reclamations and Piers, is also made for the start of work on a second vehicular ferry service across the harbour.

The total estimate of expenditure, including the heavy bill for Public Works Non-Recurrent, is \$641½ millions. The estimate of revenue is \$554 millions, so that there is

an estimated deficit for 1958/59 of \$87½ millions. There will probably be something of a tendency to regard a deficit of this order as a matter of little significance in the light of the history of the past two or three years, when we have budgetted for a deficit which in the event turned out to be a surplus; and indeed there is every justification for a certain amount of complacency. But not too much. I do indeed expect that considerable savings will be shown at the end of the year on the expenditure figures. For example, provision for Fuel, Light and Power, under all departments has been estimated on the basis of the surcharge at the beginning of this year, so with the recent small, very small, reduction in the surecharge, it is not unreasonable to expect that some of these votes will be underspent, if heads of departments show reasonable care in the use of electricity. Many of the posts provided for in the estimates will remain unfilled for a considerable proportion of the year. The provision for Public Works Non-Recurrent will not all be spent. But I would point out that a part of this deficit is due to increased provision for personal emoluments. The total increase in staff for the Government service for the forthcoming year is 4,347. It is this increase in personal emoluments and the consequential increase in Other Charges, Annually Recurrent, which must give cause for some little concern for the future. On the other hand it is true that were it not for the very heavy bill for capital works we should still be in a very happy position. There is a deficit of \$87½ millions, but the bill for Public Works Non-Recurrent is \$183 millions. The position really is that we can finance all our recurrent and special expenditure out of revenue, and can also finance new public works to a limit of \$96 millions without incurring even a paper deficit. We therefore propose to finance the balance of \$87½ millions of capital expenditure out of our reserves if it should prove necessary, and our reserves are at present sufficiently large for us to contemplate this contingency without concern. In other words, I see no justification for any increase in taxation at present.

REVENUE

Abstract of actual and estimated revenue for the period 1955-1959

| Head of Revenue | Actual Revenue for 1955-56 \$ | Actual Revenue for 1956-57 \$ | Revised Estimate for 1957-58 \$ | Approved Estimate for 1958-59 \$ |
|--|--|--|--|---|
| 1 Duties | 85,260,789 | 97,299,299 | 106,000,000 | 108,850,000 |
| 2 Rates | 49,769,817 | 56,706,452 | 64,480,000 | 70,070,000 |
| 3 Internal Revenue | 154,045,234 | 164,424,637 | 170,500,000 | 164,000,000 |
| 4 Fines, Forfeitures and Licences | 18,389,068 | 19,869,718 | 20,369,000 | 19,255,200 |
| 5 Fees of Court or Office | 53,978,210 | 58,934,261 | 68,745,500 | 65,344,200 |
| 6 Water Revenue | 9,376,970 | 9,091,303 | 12,711,500 | 14,711,500 |
| 7 Post Office | 24,470,773 | 29,260,077 | 30,063,000 | 31,219,000 |
| 8 Kowloon Canton Railway | 5,592,150 | 7,803,753 | 8,002,700 | 6,900,000 |
| 9 Revenue from Interest, Lands, Rents, etc. .. | 31,445,353 | 37,304,753 | 41,224,900 | 47,325,200 |
| | 432,328,364 | 480,694,253 | 522,096,600 | 527,675,100 |
| 10 Land Sales | 13,673,932 | 14,937,000 | 19,705,000 | 16,005,000 |
| 11 Colonial Development and Welfare Grants .. | 681,990 | 3,459,257 | 2,051,500 | 1,723,300 |
| 12 Loans from United Kingdom Government | 8,035,903 | 10,592,000 | 12,800,000 | 8,650,900 |
| Total Revenue | 454,720,189 | 509,682,510 | 556,653,100 | 554,054,300 |

Head 5 Includes revenue previously shown under
Head Miscellaneous Receipts.

EXPENDITURE

Abstract of actual and estimated expenditure for the period 1955 to 1959

| Head of Expenditure | Actual Expenditure 1955-56 \$ | Actual Expenditure 1956-57 \$ | Revised Estimate 1957-58 \$ | Approved Estimate 1958-59 \$ |
|--|--|--|--------------------------------------|---------------------------------------|
| 1 H.E. the Governor's Establishment | 343,159 | 376,320 | 445,000 | 454,800 |
| 2 Agriculture, Fisheries and Forestry Department | 2,816,435 | 3,516,978 | 3,550,000 | 4,400,300 |
| 3 Audit Department | 567,644 | 608,538 | 703,000 | 792,200 |
| 4 Broadcasting Department | 1,536,292 | 1,522,891 | 2,002,000 | 2,139,600 |
| 5 Civil Aviation Department | 3,137,671 | 3,602,043 | 3,767,000 | 4,369,500 |
| 6 Colonial Secretariat and Legislature | 2,576,707 | 2,768,718 | 3,159,000 | 3,513,900 |
| 7 Commerce and Industry Department | 4,465,336 | 5,050,349 | 5,173,000 | 6,080,700 |
| 8 Co-operatives and Marketing Department | 439,641 | 494,926 | 549,000 | 568,200 |
| 9 Defence | 23,825,554 | 24,839,831 | 25,889,000 | 26,233,100 |
| 10 Education Department | 15,668,807 | 18,281,409 | 22,627,000 | 31,124,700 |
| 11 Fire Brigade | 3,201,566 | 3,382,876 | 4,596,000 | 4,871,900 |
| 12 Inland Revenue Department | 2,545,106 | 3,036,060 | 3,504,000 | 3,721,300 |
| 13 Judiciary | 2,232,407 | 2,538,937 | 2,775,000 | 3,067,700 |
| 14 Kowloon Canton Railway | 7,499,109 | 6,706,716 | 6,003,000 | 4,292,900 |
| 15 Labour Department | 775,088 | 936,420 | 1,136,000 | 1,395,900 |
| 16 Legal Department | 784,207 | 850,304 | 889,000 | 931,800 |
| 17 Marine Department | 8,766,747 | 8,148,696 | 11,896,000 | 14,032,200 |
| 18 Medical Department | 27,002,383 | 30,048,868 | 36,127,000 | 43,727,300 |
| 19 Miscellaneous Services | 22,167,343 | 19,128,548 | 10,603,000 | 11,520,000 |
| 20 New Territories, District Administration | 695,952 | 1,058,870 | 1,748,000 | 2,178,700 |
| 21 Pensions | 13,705,262 | 13,683,975 | 14,835,000 | 15,231,000 |
| 22 Police Force | 36,246,727 | 39,467,255 | 46,723,000 | 55,582,400 |
| 23 Post Office | 13,832,245 | 15,789,747 | 19,171,000 | 19,452,700 |
| 24 Printing Department | 1,704,458 | 1,509,900 | 2,346,000 | 2,585,900 |
| 25 Prisons Department | 5,266,299 | 6,193,447 | 7,435,000 | 8,586,900 |
| 26 Public Debt | 3,333,080 | 3,306,588 | 3,277,000 | 3,247,710 |
| 27 Public Relations Office | 460,955 | 508,196 | 639,000 | 758,800 |
| 28 Public Services Commission | 34,012 | 34,510 | 36,000 | 29,400 |
| 29 Public Works Department | 19,909,432 | 22,032,712 | 24,894,000 | 30,976,500 |
| 30 Public Works Recurrent | 18,628,799 | 21,112,864 | 32,860,000 | 29,977,000 |
| 31 Public Works Non-Recurrent | 81,433,819 | 112,836,529 | 131,763,000 | 183,198,000 |
| 32 Quartering | 2,755,448 | 2,612,366 | 2,538,000 | 2,886,100 |
| 33 Rating and Valuation Department | 442,280 | 489,327 | 639,000 | 725,100 |
| 34 Registrar General's Department | 659,169 | 712,620 | 1,141,000 | 1,307,400 |
| 35 Registry of Trade Unions | 125,123 | 156,667 | 188,000 | 192,600 |
| 36 Resettlement Department | 5,499,235 | 5,408,936 | 6,345,000 | 7,571,100 |
| 37 Royal Observatory | 1,255,514 | 1,415,220 | 2,226,000 | 2,182,500 |
| 38 Secretariat for Chinese Affairs | 753,726 | 741,558 | 861,000 | 973,100 |
| 39 Social Welfare Department | 2,444,241 | 2,435,091 | 3,011,000 | 3,278,600 |
| 40 Stores Department | 9,095,193 | 15,283,144 | 25,309,000 | 9,967,100 |
| 41 Subventions | 34,727,237 | 42,772,652 | 54,228,000 | 62,082,900 |
| 42 Treasury:— | | | | |
| Treasury | 2,031,339 | 1,971,290 | 2,138,000 | 2,462,800 |
| Custodian of Property | 48,331 | 36,246 | 35,000 | — |
| 43 Urban Services and Urban Council | 16,251,587 | 18,344,126 | 22,159,000 | 25,651,300 |
| | 401,690,665 | 465,752,264 | 551,938,000 | 638,323,610 |
| 44 Colonial Development and Welfare Schemes | 772,977 | 3,792,034 | 3,656,000 | 3,245,900 |
| Total | 402,463,642 | 469,544,298 | 555,594,000 | 641,569,510 |

THE JAPANESE COTTON INDUSTRY AND ITS PROBLEMS

By Kojiro Abe

(Chairman, All Japan Cotton Spinners' Association)

Japan's cotton industry depends completely upon imported raw cotton. Consequently, the primary factor determining the scale of production of the industry is how much cotton can the existing economic conditions, particularly the state of balance of payments afford to import, rather than the volume of demand for cotton goods or the productive capacity of the industry.

Japan's foreign exchange holdings have increased from some \$1,140 million at the end of 1952 to \$1,420 million at the end of 1956, largely due to favorable exports in recent years. In 1956 the value of exports almost doubled that of 1952. However, imports too have increased enormously, thereby leaving the trade balance in the red as usual.

Luckily the invisible trade balance has been so favorable as to offset the trade deficit and add some funds to reserves. Thanks to these factors, although the importation of raw cotton remained under government control, adequate quantities of raw cotton were imported. Last year was especially good. A sufficient volume was secured thereby leaving no anxiety about the supply of raw cotton, and this factor, supported by active demand for cotton goods, enabled the industry to produce a postwar record output of cotton yarn.

But dark shadows had been creeping in. Motivated by enhanced consumption of raw materials due to a sharp rise in domestic industrial activity, brisk capital investment, and an exhaustion of power resources, the importation of scrap iron, iron ore, coal, petroleum, steel, machinery, pharmaceutical and chemical products jumped up, while exports were not correspondingly successful. The result has been a heavy drain on reserves.

To cope with this acute situation, the Government, in May this year, adopted a stringent tight-money policy and direct import controls. Naturally, these policies have affected our industry. The raw cotton import budget for the first half of the current fiscal year (April through September) was drastically reduced by July from 1,200,000 bales under the original budget to 910,000 bales under the revised program. Such a sharp curtailment cannot help but cut down the spinners' production. Should such a state of economic conditions last long, it certainly would provide an ideal chance for man-made fibers to make great strides.

To reiterate, Japan's economy, the cotton industry in particular, is predestined to be governed by the state of international balance of payments of the country. Herein lies the main reason why we exert great efforts in the promotion of cotton textile exports and why we are oversensitive to the state of trade balance.

Labor relations. We hear that in some countries the shortage of labor constitutes a serious bottleneck to smooth expansion in spinning and weaving industries. Our industry is fortunate in that labor is plentiful in our country and that working conditions more favorable than the general national level are sufficiently attractive to draw more applicants than there are jobs.

Labor unions are very active in our industry as well as in other major Japanese industries. Cotton spinning workers are unionized to the extent of 92 per cent (at the end of 1956).

Their recent demand was shorter working hours. A double-shift 16 actual working hours a day has been the rule of mill operation in Japan. However, effective as of Oct. 1 this year,

a number of spinning companies representing three-fourths of the total spindleage have conceded to their demands, which asked for shortening the working hours to a double-shift 15.5 hours a day.

Limitations on productive equipment. In Japan propensity to invest in the textile industry has been quite strong of late as demand for cotton goods has advanced. However, a redundant capacity out of proportion to demand is liable to cause excessive production, which may not only create confusion within the industry but also hamper the smooth development of export markets as a result of a sudden rise in the flow of goods seeking outlets overseas.

In view of these reasons, measures have been taken to restrict and adjust the further expansion of productive equipment.

Such a step was first taken for the cotton and spun rayon weaving industry by the Federation of Japan Cotton and Spun Rayon Weaving Industry Adjustment Associations in November 1954 under the "Small and Medium Enterprise Stabilization Law." Under this scheme, the member weavers were requested to register all the cotton and spun rayon weaving looms they owned, forbidden to weave on nonregistered looms, and prohibited to install any new additional looms for the purpose of cotton or spun rayon weaving. By order of the Minister of International Trade and Industry, this measure was extended to cover outsiders including nonmember weavers as well as the weaving sections of integrated spinning companies. The number of cotton and spun rayon looms thus registered stood, as of March 1955, at 352,000 owned by independent weavers and 76,000 owned by integrated spinners.

This was followed by the "Textile Industry Equipment Temporary Adjustment Law" enacted in June 1956 and effective from October 1956. The purpose of the law is "to rationalize the textile industry by regulating equipment of the industry in order to contribute toward the development of orderly export trading in textile products." Coverage of this law is spinning equipment (ring frame) and dyeing and finishing equipment (cloth tenter) for all fibers.

The total of cotton spindleage thus registered stands at 9,022,000 and that of rayon spinning at 2,950,000. It is believed that the existing capacity is a little more than sufficient to meet the estimated demand for cotton and spun rayon goods at home and abroad. Unless there are sudden changes in the demand situation, therefore, it is unlikely that the Government will permit any further expansion in the foreseeable future.

Subsequent to the enactment of the law, the cotton and spun rayon weaving industry has taken a step further than the ban on the installation of additional equipment and cut down the number of existing looms. Under this program, some 10,900 looms have been bought up and scrapped already this year.

In spite of defects such a legislative action may accompany in that some people may attempt to increase their own equipment during the transition period, I should say that it is an epoch-making experiment in dealing with the question of redundancy.

Voluntary export adjustment. We believe that Japanese cotton products, in some lines, have a competitive strength in the international market. But, consideration for the competitor's position must be made at the same time. This attitude of ours is well reflected in a concrete form on our voluntary export adjustment programs.

Ever since the beginning of 1956 voluntary adjustments have been in operation on cotton goods to be exported to the United States, Canada and Europe; on spun rayon goods for Europe.

To be more specific, the Japan Cotton Textile Exporters Association, in the case of cotton cloth exports to the United States and Canada, and grey cloth and semibleached cloth (except heavy cloth) for Europe and the Japan Silk and Man-made Textile Exporters' Association, in the case of grey or bleached (semibleached included) spun rayon cloth to be exported to United Kingdom, West Germany, Belgium, and Holland, respectively designate their members' export ratios individually, in accordance with the rules and regulations of their own. Again, the Japan Textile Products Exporters' Association is exercising controls on the export of made-up cotton goods to the United States and Canada.

On top of these, the Japanese Government, on the authority of the Export Trade Regulating Ordinance, has endorsed these voluntary adjustment schemes instituted by the industry. The most important of all is the self-restraint scheme on exports to the United States. I shall briefly explain how it operates.

In prewar 1937 when Japan's cotton textile exports to the United States reached a new level, a conference of representatives of American and Japanese cotton industries was held in Osaka. As an outcome of this conference an export quota was established on cotton piecegoods destined for the United States proper.

After the war, especially since the latter half of 1955, Japan's cotton textile exports to the United States have increased suddenly and, moreover, tended to concentrate on certain items. These developments led Japan to restrain the total cloth exports to the United States during 1955 within 150 million square yards, with individual ceilings on print-cloth, gingham, and velveteen, the three main items at issue then in the U.S. market. As for apparel, an export limitation was fixed on blouses.

Unfortunately, however, in the United States applications were filed by the industry with the Tariff Commission for higher tariffs or proposals made to institute import quotas in connection with such items as blouses, velveteens, pillow cases, and gingham. Not only that, in the state of South Carolina and Alabama a state law requiring stores to put up a sign, "Japanese textiles sold here," was enacted in the face of the solemn U.S.-Japan Friendship and Navigation Treaty. Attempts were also made in the Congress to restrict Japanese textile imports.

Taking a serious view of the situation, Japan devised a tighter adjustment program for 1957 and following years, after due consideration for American interests. This program, which is in operation at present, may be summarized as follows:

(a) The over-all limit for Japanese exports of cotton textiles to the United States shall be 235 million square yards. Of this,

the limit for cotton cloth shall be 113 million square yards and secondary cotton products 122 million square yards equivalent.

(b) In order to avoid excessive concentration on any particular item individual limits within the cotton cloth limit shall be established on velveteens, gingham, combed cloths and a few other items, and many specific limits shall be created within the secondary cotton products group.

(c) This program shall remain in operation for five years starting in 1957, and shall be reviewed annually.

The execution of this export adjustment program has inflicted a serious blow upon those branches of the industry that were compelled to curtail production. Factories had to be closed, causing unemployment. The natural course of trade between Japan and the United States would be for us to endeavor to export more, not less, than at present because our imports from the United States are more than twice as much as our export to that country.

But we adopted the self-restraint program in order to effect orderly marketing of Japanese cotton textiles in the United States and also to remove the apprehension of the United States cotton manufacturers.

As explained earlier, under the Textile Industry Equipment Temporary Adjustment Law, the Minister of International Trade and Industry must make an annual estimate of textile demand and supply for the year 1960. According to the minister's estimate made this year, after summoning the industry's view, cotton textile exports predictions for the year 1960 are: cotton yarn, 26 million pounds; cotton cloth, 1,300 million square yards; and other cotton goods, 83 million pounds. Proofs that we are not attempting to export excessively are evidenced, I think, by these authoritative estimates.

In relation to the prospects of our cotton textile exports, I may now present briefly our views on the outlook of trade with Red China. We have been told that Red China's cotton industry has made a remarkable progress of late. Obviously, the assignment the Chinese cotton industry has been given by their Government is not only to provide clothing for the people but also to earn substantial funds for the industrialization of the country.

Furthermore, one must not overlook their use of cotton cloth as an important weapon for the execution of their planned trading policy. Our investigations have revealed that over 200 million square yards of cotton cloth were delivered from Red China to mostly Southeast Asian countries in 1956.

This compares with Japan's exports of cotton cloth to Red China of only 7 million, 27 million and 5 million square yards in 1954, 1955 and 1956 respectively. The Japanese cotton industry has no illusion regarding the future of this market, but on the contrary Red China's potentiality as an exporter of cotton textiles to Southeast Asian countries is well worth bearing in mind.

ECONOMIC REPORTS FROM JAPAN

EXPORTS AND IMPORTS IN 1957

The trade figures for 1957 were at a higher level for both exports and imports than those for 1956, according to the customs clearance statistics. During 1957 exports expanded over the 1956 level by 14.1 percent (\$352 million) to US\$2,853 million and imports by 32.6 percent (\$1,054 million) to US\$4,283 million. The trade deficit was enlarged by \$702 million to \$1,431 million. The 1957 figures of exports, imports, and import surplus were all postwar highs.

Examined by quarterly periods, exports during the first quarter averaged \$219 million on a monthly basis. The monthly average rose to \$224 million in the second quarter, and further to \$256 million in the third quarter. For the fourth quarter it fell, though slightly, to \$252 million. The monthly average for the third quarter was larger than any other comparable figures so far recorded. Compared with the corresponding periods of 1956, the monthly average was up by 17.4 percent for the first quarter, 11.7 percent for the second quarter, 24.1 percent for the third quarter, and 5.0 percent for the fourth quarter.

On the side of imports, the monthly totals of imports averaged \$355 million for the first quarter, which substantially rose to a postwar record high of \$426 million in the second quarter. In the third quarter, however, the monthly average figure sharply fell to \$357 million, and then to \$290 million in the fourth quarter. The monthly average for the first quarter was 53.9 percent higher than that for the comparable period of 1956. For the second and third quarters it also stood above the corresponding levels for 1956 by 58.4 percent and 29.8 percent respectively. But it fell below the comparable figure for 1956 by 4.0 percent in the fourth quarter.

Analyzed by commodity groups, exports of textile goods accounted for \$1,015 million or 35.6 percent of the total exports in 1957, standing first among major groups of export goods. They were followed by machinery with \$625 million (21.9 percent of the total exports), miscellaneous goods with \$465 million (16.3%), metals and metal products, and food and beverages. Of the major import commodity groups, on the other hand, raw materials for textiles took the largest share of \$825 million or 19.3 percent of the total imports in 1957. They were followed by metal ores and scraps with \$693 million (16.2 percent of the total imports), mineral fuels with \$680 million (15.9%), food and beverages, and miscellaneous goods.

Over the 1956 levels exports expanded in all the commodity groups other than metals and metal products. Machinery, pharmaceutical and chemical goods, and textile products recorded particular advances in their exports. In the field of imports, there was an all-round expansion in their chief commodity groups, of which miscellaneous goods (including iron/steel goods), machinery, mineral fuels, and metal ores and scraps witnessed pronounced advances. Food

and beverages and raw materials for textiles showed comparatively moderate increases.

On the itemized list of export commodities, vessels ranked first with \$345 million, showing a substantial 32.7 percent expansion over the 1956 level. Cotton fabrics came next in order with their exports recording a postwar high of \$317 million (18.8 percent more than in 1956) for 1,468 million square yards (16.3 percent more). Iron/steel products that ranked third decreased in both value and volume of their exports in 1957. They were followed by rayon filament fabrics whose exports had continued to grow in recent years to total \$153 million (25.4 percent more than in 1956) in 1957 for 938 million square yards (34.9 percent more). Standing fifth on the list, clothes saw a further growth of 16.5 percent over 1956 to reach \$143 million in 1957.

On the other hand, petroleum came first on the itemized list of import commodities replacing raw cotton which had long headed the annual lists until 1956. Their imports totaled \$491 million (56.8 percent more than in 1956) for 20,352,730 kilo-liters (34.5 percent more). Imports of raw cotton that came next fell in value to \$448 million, but rose slightly in volume to 1,538 million lbs. Iron/steel goods that ranked third advanced in both value and volume to \$305 million (400.9 percent more than in 1956) for 2,213,882 tons (315.8 percent more). Iron/steel scrap ranked fourth with their imports rising by 55.3 percent over 1956 to \$285 million for 3,338,211 tons (29.2 percent more). This item was followed by raw wool whose imports rose in value by 19.7 percent to \$265 million, but fell in volume by 4.0 percent to 280 million lbs.

The following table shows the overseas trade statistics for 1957 published by the Ministry of Finance together with the 1956's:

| (in \$1,000) | | | | | |
|----------------------------------|----------------|-----------|-----------|-----------|-----------|
| Exports | Unit | 1957 | | 1956 | |
| | | Quantity | Value | Quantity | Value |
| Food & beverages | | | 182,323 | | 179,881 |
| Fish & shellfish | tons | 206,530 | 121,342 | 196,489 | 120,631 |
| Tea | 1,000 lbs | 23,619 | 5,839 | 22,579 | 5,653 |
| Textile & products | | | 1,014,953 | | 871,075 |
| Raw silk | bales | 74,770 | 41,869 | 74,998 | 41,794 |
| Cotton yarn | 1,000 lbs | 32,185 | 27,217 | 27,294 | 26,244 |
| Rayon filament yarn | " | 29,063 | 14,519 | 18,591 | 9,036 |
| Spun rayon yarn | " | 43,467 | 20,858 | 35,536 | 16,053 |
| Cotton fabrics | 1,000 sq yds | 1,467,987 | 316,808 | 1,262,049 | 266,636 |
| Silk fabrics | " | 64,934 | 32,286 | 47,884 | 25,206 |
| Rayon filament fabrics | " | 396,125 | 74,519 | 438,105 | 87,922 |
| Spun rayon fabrics | " | 937,780 | 153,469 | 695,160 | 122,350 |
| Clothes | | | 142,769 | | 122,578 |
| Pharm. & chem. products | | | 125,972 | | 106,675 |
| Chemical fertilizer | tons | 1,083,968 | 63,964 | 919,190 | 49,786 |
| Non-metal mineral products | | | 116,397 | | 114,558 |
| Cement | tons | 2,219,681 | 38,500 | 2,111,670 | 38,003 |
| Ceramics | | | 51,064 | | 49,494 |
| Metal & products | | | 323,183 | | 339,914 |
| Iron & steel | tons | 1,000,795 | 209,372 | 1,290,540 | 223,389 |
| Non-ferrous metals | " | 30,997 | 41,464 | 41,548 | 50,214 |
| Metal products | | | 72,347 | | 66,311 |
| Machines | | | 625,039 | | 483,597 |
| Tex. machines & parts | | | 32,592 | | 36,675 |
| Sewing machines | Nos. | 1,744,674 | 42,694 | 1,484,658 | 34,228 |
| Vessels | " | 856 | 345,039 | 786 | 259,972 |
| Others | | | 464,700 | | 404,936 |
| Lumber | M ³ | 427,726 | 22,919 | 546,344 | 28,492 |
| Toys | tons | 62,197 | 61,447 | 61,001 | 55,419 |
| Plywood | 1,000 sq. ft. | 882,019 | 54,869 | 700,909 | 42,750 |
| Total | | | 2,852,567 | | 2,500,636 |

| | | | (in \$1,000) | | | |
|-------------------------------|----------------|------------|--------------|------------|-----------|--|
| | | | 1957 | | 1956 | |
| Imports | Unit | Quantity | Value | Quantity | Value | |
| Food & beverages | | | 573,983 | | 558,306 | |
| Rice | tons | 347,345 | 48,164 | 759,610 | 108,350 | |
| Barley | " | 847,795 | 56,117 | 922,414 | 61,992 | |
| Wheat | " | 2,239,098 | 163,231 | 2,277,022 | 165,392 | |
| Sugar | " | 1,160,173 | 161,058 | 1,202,228 | 128,269 | |
| Textile materials | | | 825,478 | | 798,336 | |
| Rayon pulp | tons | 134,524 | 29,881 | 126,515 | 26,506 | |
| Raw wool | 1,000 lbs | 280,097 | 265,117 | 291,671 | 221,408 | |
| Raw cotton | " | 1,537,717 | 447,983 | 1,496,116 | 480,389 | |
| Hard & bast fibers | " | 248,343 | 30,672 | 218,895 | 25,169 | |
| Metal ores | | | 692,744 | | 456,608 | |
| Iron ore | tons | 9,466,561 | 205,667 | 7,869,496 | 146,519 | |
| Iron/steel scrap | " | 3,338,211 | 284,769 | 2,583,542 | 183,408 | |
| Non-ferrous metal ore | " | 2,445,656 | 125,919 | 1,671,421 | 77,278 | |
| Non-metal mineral | | | 108,203 | | 95,656 | |
| Phosphate ore | tons | 1,556,671 | 40,233 | 1,686,484 | 41,486 | |
| Salt | " | 2,086,156 | 29,028 | 2,303,800 | 29,953 | |
| Mineral fuels | | | 679,794 | | 412,647 | |
| Coal | tons | 6,701,780 | 174,578 | 3,821,168 | 90,617 | |
| Petroleum | kl | 20,351,730 | 491,367 | 15,130,332 | 313,400 | |
| Other raw materials | | | 383,383 | | 359,739 | |
| Raw hides | tons | 70,997 | 28,408 | 76,429 | 30,542 | |
| Soybeans | " | 803,182 | 93,167 | 717,081 | 84,647 | |
| Crude rubber | " | 123,230 | 80,925 | 106,881 | 73,492 | |
| Lumber | M ³ | 2,890,282 | 78,150 | 2,586,015 | 81,081 | |
| Pharm. & chem. products | | | 183,486 | | 163,364 | |
| Potassic fertilizer | tons | 637,502 | 33,269 | 851,246 | 43,819 | |
| Machines | | | 288,262 | | 161,169 | |
| Others | | | 548,039 | | 223,914 | |
| Beef tallow | tons | 123,826 | 27,078 | 105,592 | 22,114 | |
| Iron/steel | " | 2,213,882 | 304,786 | 532,497 | 60,845 | |
| Total | | | 4,283,372 | | 3,229,739 | |

AUTO PRODUCTION AND EXPORT

Unprecedentedly high record was established in the production of motor vehicles in 1957 calendar year; total outputs of the nation's 9 automobile manufacturing companies amounted to 181,443 cars in number, including 46,277 ordinary-size motor trucks, 8,038 buses, 47,045 passenger cars, and 80,083 small-size motor trucks, which was 70,617 cars more than in the preceding year. Production was raised for the first time above the 15,000-car level in March, which advanced to 16,055 in April, further on to 16,713 and 17,024 in the following two months. After July however production began to decline. Although about 4,000 cars short of the target originally set for the year, the total production actually achieved broke the former record. Classified breakdown is:

| Categories | Production in Number | Ups & Downs from 1956 |
|----------------------|----------------------|-----------------------|
| Ordinary Cars | | |
| Gasoline trucks | 28,274 | 10,491 up |
| Diesel trucks | 18,003 | 6,404 " |
| Gasoline buses | 463 | 17down |
| Diesel buses | 7,575 | 2,003 up |
| Total | 54,315 | 18,881 up |
| Small Cars | | |
| Passenger cars | 47,045 | 15,077 up |
| Trucks | 80,083 | 36,659 " |
| Total | 127,128 | 51,736 up |
| Grand Total | 181,443 | 70,617 up |

Motor vehicles sold overseas during the twelve-month period last year amounted to 6,592 in number, which is nearly 2.7 times as many as the 2,455 cars exported during 1956. The classified breakdown is:

| Categories | Shipments in Number | |
|-------------------------|---------------------|--------------------|
| | 1957 calendar year | 1956 calendar year |
| Ordinary trucks | 3,995 | 1,472 |
| Buses | 618 | 509 |
| Specially equipped cars | 843 | 170 |
| Small-size trucks | 639 | 228 |
| " buses | 14 | 8 |
| " sp-equipped cars | 25 | 13 |
| " passenger cars | 410 | 46 |
| Tractors | 10 | 0 |
| Trailors | 38 | 9 |
| Total | 6,592 | 2,455 |

The chief buying countries are as follows: Thailand 1,044 cars, Burma 969, Venezuela 798, Ryukyus 598, Taiwan 480.

Remarkable improvement in exports is chiefly ascribed to efforts made by manufacturers and traders in developing overseas markets as well as raising quality. Traders are optimistic regarding auto export during 1958 expecting it to overtop the 10,000-car mark in number.

ECONOMIC LETTER FROM TOKYO

Bank Loans and Deposits in 1957: Business results of all 86 banks throughout the country during 1957 show that despite an increase of ¥579,500 million only in their "real" deposits, that is to say, total deposits less foreign currency deposits and bills and checks, loans swelled by ¥958,100 million, a record increase for a year, and this notwithstanding strong credit squeeze. The result was an excess "over-lending," which was accompanied by a marked increase in external debt. In fact, banks' borrowings rose by ¥363,700 million during the year. This tendency for "over-lending" is, however, confined to the city banks. The provincial banks as a group make a better showing in that the increase in their deposits far exceeded the loan increase.

Industrial Production: Our mining and manufacturing production in 1957 reached a level 17.2% higher than the previous year with the production index at 143.4 (1955 av = 100). A 22.4% increase over 1955 having been recorded in 1956, industrial production achieved a big rise for two successive years.

Yen Credits for India: At a meeting of the Japan-India trade talks the conditions of giving yen credits by Japan to India were discussed, and agreement was reached between the delegations of the two countries for extension of a governmental loan of ¥18,000 million in three years in the form of the Export and Import Bank of Japan credits subject only to a case-by-case investigation of the uses thereof. The salient points of the agreement are as follows: (1) ¥5,000 million will be loaned out in the first year, ¥6,000 million in the second, and ¥7,000 million in the third, making in all ¥18,000 million, the total amount to be a governmental loan in the new form of the Export and Import Bank credits; (2) The conditions for loan extension will be similar to that of the World Bank, that is to say, the interest charges to be about 5.7% p.a. on the average including the commission, and repayments to be made within not more than 10 years after a lapse of 3 years' grace; (3) The loan will be extended through the counter of the Export and Import Bank subject to a case-by-case investigation of each business project desired by India; (4) This loan is to be repaid in American dollars or in pounds sterling, but may also be paid in iron ores according to circumstances. It may be mentioned that never before has the Export and Import Bank established such a fixed amount of financing for a particular country.

Japan-Indonesia Joint Banking Corporation: Ishihara Industrial Corporation, Osaka, (capitalized at ¥1,635 million and under the presidency and chairmanship of Koichiro Ishihara) and Daiwa Bank signed at agreement concerning the establishment of a Japan-Indonesia joint banking corporation. The bank is to be called Bank Verdania (meaning trade, industry and agriculture) having a capital of 50 million rupiahs (1 rupiah equals to 32 yen approximately), of which 10 million was already paid in November last year. Of the total capital stock, 51% is to be held by the Indonesian and 49% by the Japanese sides. The latter holdings, again, are to be equally divided between Ishihara and Daiwa. The bank's president will be appointed from the Indonesian side, the decision to be made in April or May. The bank's office will be situated in Jakarta and be open to business on Feb. 1. A bank with a paid-up capital amounting to 10 million rupiahs is among the biggest of the private banks, and it is also the first time that any Indonesian bank has ever been established conjointly with foreign capital other than the Dutch.

Special Procurement in 1957: Some \$549,268,000 was spent in Japan in special procurement during 1957, which is a decrease of \$46,090,000 or 8% compared with the previous year. The sales of yen to U.S. military personnel decreased by \$14,343,000 and dollar credit to U.S. Forces A/C by \$32,664,000, while there were increases of \$722,000 in expenditures for Okinawa construction works and of \$4,076,000 in ICA spendings. A conspicuous decrease in the dollar credit to U.S. Forces A/C and only a slight increase in ICA spendings are noteworthy. While special procurement contracts amounted to \$229,397,000 which is 38% greater than in 1956.

Decline in Wholesale Prices: The wholesale price index of the Economic Planning Board fell off to the lowest of the past two years. The Board's index for the week ending Feb. 8 dropped to 158.7 (on the base of pre-Korean War) or 1% lower again from the previous week. It is the first time in two years that the index fell below the level of 160. Compared with the peak of April 1957, it shows a decline of 9.2%, which is close to the target for price reduction aimed at by the Government's comprehensive economic measures.

Excess Receipt of Foreign Exchange: The foreign exchange transactions for January were again \$10 million in our favor in continuance of the trend since October last year, and the outlook is still promising for some time to come. Export L/C received during January amounted to \$206 million and import L/C issued to \$158 million, thus giving hope for \$48 million excess of exports over imports. Besides, there is included in this import L/C total \$30 million representing imports covered by the Export-Import Bank of Washington credits and those of the U.S. Surplus Agricultural Commodities. And this may be counted upon as a factor for predicting foreign exchange surplus in March-May, when bills drawn under the January's letters of credit will be actually settled.

Normalization of Banking Practices: At the regular conference of the members of Bank of Japan Policy Board, the Finance Ministry officials and representatives of commercial banks, Governor Yamagiwa of the Bank of Japan disclosed his attitude with reference to the execution of monetary policy in 1958. What he intends to do is to take a step forward for the normalization of banking practices particularly through rectifying the present "over-loaned" situation of banks (excess lending in proportion to deposits) as well as fostering the growth of the market for bond issues. For the attainment of this object he desired the cooperation both of the Government and the banks.

Trade with Communist China: It would certainly be noteworthy, though it is the requirement of the times, that our iron-steel industry which is highly dependent on the U.S. has embarked upon expansion of trade with Communist China through the barter of Japanese steel products and steel-making raw materials of China. An iron-steel mission under the leadership of the managing director Inayama of the Yawata Iron and Steel Co. started for Peking with that end in view. Their expectation is to double the current export base of 100,000 tons annually to 200,000 tons. The general public is not in favor of doing any business with China. But business men cannot afford to be guided by feelings only. The Japanese nation realize that Communist China is Japan's enemy and therefore trading with an enemy should never be encouraged.

SINO-JAPANESE £200 MILLION AGREEMENT

The £200 m. five-year agreement between China and Japan whereby Japan will import iron ore and coal from China and export steel materials to China puts an end to the recent period of frustration and enables the peaceful and constructive processes of trade to play widely upon the scene once more. The preposterous finger-printing obstacle has been side-stepped, and the nature of the exchange conforms to the traditional pattern before the war of Sino-Japanese trade, though most of Japanese steel went to Manchuria rather than to China Proper in the pre-war days, and still more of China's steel materials came from the West. The agreement provides for a steadily rising volume, and it does not, of course, necessarily exclude supplementary agreements on a smaller scale for different commodities.

The present agreement seems to be fairly closely aligned with the second five year plan schedule in China, and it ought to take off some of the intensive pressure on China's industry and agriculture. This is at its height just now, and at a dangerous height. The Communists usually seem to know how far they can go, but even they must be desperately worried about the reactions to their policy of "deporting" millions from the Government and Party organs and State enterprises in the cities to the rural and remote areas. Nobody quite knows how everybody is taking it all—the farmer who finds a lot of inexperienced hands and bodies suddenly descending upon him, for whom he has somehow to provide accommodation in villages and townlets where hotels not only do not exist but have in many instances never even been heard of by the local peasants; or the literates and intellectuals introduced, for the first time in the lives of many of them, to the sights, sounds, stinks and most primitive forms of nature.

A vast amount of work is being done, though the more distant the observer the happier will the prospect seem. All these multifarious small projects in irrigation, drainage and other purposes have had to be paid for by the farmers themselves both in labour and in expenditure. But whether they like or dislike it, the pressure is severe and even if the psychological risks prove justified, the economic and financial position may yet be found precarious. This agreement will help to keep matters on an even keel very much in the same way as the American aid to India and the Soviet agreement to erect a big steel factory there took some of the strain off the anxious Indian Government.

The protocol for the current year's transactions provides for a modest £10 m. exchange each way. The volume rises to £18, £21, £24, and £27 millions each way in successive years, and therefore follows the anticipated graph of planned expansion in China. The Manager of the China National Minerals Corporation signed for the Chinese and the Managing Director of the Yawata Steel Corporation signed for the 12-member Japanese mission representing the Yawata, Fuji, Japan Steel Tube, Kawasaki and other Japanese steel enterprises. The agreement was signed "with a view to developing Sino-Japanese trade and establishing relations of long-term and planned supply," and the Chinese signatory said it marked the auspicious beginning of a stable long-term arrangement which will go further to broaden trade between the two countries. It is another instance of the wisdom of trying to increase the economic links between the two rival systems of basic economic policy while leaving ideology and the tractarians out of it. Men and nations traded long before Marx grew his big beard and they will continue to do so when Marx has been buried under higher mountains of verbiage than his worshippers

of this generation have accumulated. Trade is not the sole, but certainly one of the most important, of the concerns of men and nations, even if it is not (as it so often is) the major object of the diplomats.

The wider trade talks broke down last November, after 40 days of negotiations, because of the refusal of the Japanese to accept a permanent Chinese Trade Mission with diplomatic status and unlimited staff—and the prospect of unlimited agitation! These issues have not been solved but they have been laid aside, the Chinese waiving their demands for the present in response to Japan's gesture in waiving the obnoxious finger-printing requirement. At that time the Inayama steel mission was a separate body to the Ikeda general trade mission. When the negotiations seemed likely to end in stalemate again there were hints that the Japanese steel group might go on to India instead, where they would certainly have been warmly welcomed. But powerful intervention at the last minute, presumably by Premier Chou En-lai, decided the issue. He was quoted as saying, in a discussion with the mission for nearly two hours, that China is making every effort to increase her domestic output of iron and steel but that she is still "desperately short of steel."

A correspondent of the Japan Broadcasting Corporation reported from Peking that the Chinese Premier assured the Japanese mission that China's industrial development would not adversely affect Japan. "Japan and the world at large will prosper if Communist China prospers," he was quoted as saying, and he added that even if China should manage to overtake Britain in iron and steel production, 15 years hence, as the Party slogan suggests, China's production would still be small in proportion to her population. Actually China had hoped for more steel. Japan supplied 100,000 tons last year, and is delivering 150,000 tons in 1958, compared with China's request for 200,000 tons. The final signature was held up owing to the contention by the Japanese that the price they asked for iron ore and coal was too high for low-grade materials, to which the Chinese retorted that they were the best ore and coal they had. The correspondent says the Chinese Premier privately admitted that without imports from the West, China's second five year plan launched in January might collapse. In spite of this the Chinese officials deliberately sought to drive a tough bargain with the Japanese steel-men in the knowledge that the latter were perturbed by the recession in the prices of raw materials on which the economies of Japan's Asian customers depend. Japan's steel industry is suffering at present from overstocking of raw materials and is in sore need of new markets. A Tokyo despatch said that the agreement was hailed with great relief, because the industry, hitherto satisfied with the boom in shipbuilding, now fears a world depression and looked toward China for markets in spite of alarmed remonstrances from other big Japanese industries more completely tied to the United States and less hopeful of Chinese outlets. Japan wants a 20% share at least of China's trade with the free world, which may rise to US\$1,900 m. by 1962. India is still Japan's best customer in steel materials.

Inter-Governmental agreements are still banned as "politically inadvisable" by the Japanese Government, though both Conservative and Socialist members of the Diet were in the Ikeda trade mission. The iron and steel firms, also, at first refused to talk directly with Peking on the ground that they were dependent on the United States for supplies of scrap, but the market has deteriorated sharply since last year, prices have fallen by 11%, and other steel-

ECONOMIC LETTER FROM MANILA

Generally the outlook appears slightly better than at the beginning of this year. But appearances are deceptive. There continues much unrest among the people and signs of dissatisfaction with the new government are many. The newspapers are highly critical of government measures and vitriolic comment is heard everywhere. President Garcia has much support among the people but most of his appointees are not generally accepted, and charges of corruption and graft are hurled all the time against even highest placed officials. Public morality is, after a short period indicating an improvement in this regard while the late President Magsaysay was at the helm of state affairs, again turning towards a depressing low.

The United States bought more Philippine hemp in 1957 than it did the year previously. Last year's U.S. pur-

producing countries have increased their sales to China. The successful Japanese samples fair in Canton in February also gave a boost to trade with China. It was visited by over half-a-million people and the Japanese who headed the fair committee and is chairman of the Japan-China Import-Export Association, said there was a good chance of Japan's securing an order for ten electric locomotives amounting to between £300,000 and £400,000—presumably for the Chinling mountain section of the new Chengtu-Paoki Railway.

This agreement was supplemented later by the fourth general trade agreement between Peking and Japan, involving goods worth \$35 million each way—a larger sum than in any of the three previous general agreements. The Japanese Prime Minister, however, indicated there might be some difficulty over this agreement, since it provided for the setting up of permanent People's Trade Missions in each other's country. The signatories were the China Committee for the Promotion of International Trade and the Japanese Trade Delegation that went to Peking for the purpose. According to the agreement, China will supply soya beans, coal, iron ore, manganese, pig-iron, tin and various other raw materials and farm products. Japan, in turn, will provide China with rolling-stock and equipment, power generating equipment, ships, heavy machinery, precision machinery, complete sets of equipment, copper ingots, aluminium, steel, chemical fertiliser and other industrial products. The functions of the permanent People's Trade Missions to be set up in Peking and Tokyo, according to this agreement, include the rendering of help to the enterprises of the two countries in regard to trade activities and economic exchange and the promoting of exchange of technique between the two countries. It also provides for commodity exhibitions by China in Nagoya and Fukuoka this year and similar exhibitions by Japan in Wuhan and Canton.

The Japanese Government is obviously privy to this unofficial, roundabout method of overcoming the obstacles of non-recognition, but the Japanese delegation consisted of a group of unofficial personages, representing the Diet Members' Union to Promote Japan-China Trade, the International Trade Promotion Association and the Japan-China Export and Import Association. However, the Prime Minister's objection was not to the trade agreement as such but to the proposed flying of the Chinese flag over the mission's premises in Japan. The Memorandum attached to the agreement limited the size of Peking's trade mission to 20 members and emphasised loyalty to the Bandung Principles, which includes non-interference. It does not say anything about the flag issue.

chases came to 301,247 bales, as against 283,887 bales in 1956, an increase of 6.11%. However, Japan, the United Kingdom and other countries in Europe bought less. Japan's purchases dropped slightly to 256,597, as against 257,017 in 1956. United Kingdom purchases of Philippine hemp dropped off by 14.17% and purchases by countries on the European continent by 10.70%. During the year under review, the U.S. bought almost one-third of Philippine abaca. Japan absorbed 28.44 per cent, United Kingdom 12.35 per cent, the continent of Europe 19.60 per cent and "other countries" 8.22%. Annual shipments to countries with limited dollar reserves are expected to rise considerably this year. Japan, customarily a heavy hemp consumer, could absorb more of Philippine abaca production if it could buy with currencies other than dollars.

The abaca industry in the Philippines must completely mechanize in order to meet the competition of sisal and henequen. In the 1935-38 period abaca constituted 31.5% of the world's total hard fiber volume and East African sisal, its closest rival, made up 29.39%. By 1954 this situation had been reversed, with abaca down to 18.95% and sisal up to 46.12%. There are only three decortivating plants servicing approximately 3,600 hectares of abaca plantations in the Philippines. There were a total of 217,000 hectares as of 1955, but only 1.4 per cent of the total abaca output is processed by means of decortivating machines. With the gradually increasing preference for mechanically decorticated fiber, there will come a time when the present number of mechanized decortivating plants may not be able to meet demands for this type of fiber. Starting with an initial shipment of 7,100 bales of what is now popularly known as deco fibers in 1948, the export soared to 26,900 bales in 1956. The record for 1957 is expected to show between 28,000 and 30,000 bales.

Atlas Consolidated Mining and Development Corporation of the Philippines—listed on the American Stock Exchange—reported that copper production at its Toledo, Cebu, mine totalled 38,121,923 pounds during 1957. These figures compare with the production of 23,957,320 pounds of copper during 1956. During 1957, 12,238 ounces of gold were produced, as against 7,116 ounces during the prior year. 14,067 metric tons of pyrites were produced and shipped during the past year, as compared with 1,850 metric tons for 1956. Atlas' iron mines at Mati, in Davao, produced and shipped 162,286.5 dry metric tons of iron ore during 1957, compared with 106,900 dry metric tons in 1956. Total value of all shipments for the year 1957 amounted to P22,895,531 as compared to the amount of P20,475,255 derived from shipments in 1956. Failure of Atlas' sales value to follow the same ratio of increase as the volume of production reflected the decline in the price of copper during the year.

Philippine exports of copra and coconut oil in 1957 amounted to 715,687 long tons, oil basis. The Philippine Coconut Administration intensified its drive to maintain the quality of copra by tighter restrictions on substandard shipments that would hurt Philippine trade in foreign markets. PHILCOA issued orders to ban from shipment all copra condemned as moldy or otherwise dirty.

Gulf Oil Corporation signed an agreement with Philippine Investment Management Consultants, Inc., which will form a petroleum refining and marketing company in the Philippines. No name as yet has been decided upon for the new company in which the majority ownership will be held by Philippine interests. A 10,000 B/D refinery will be built in Luzon, estimated completion date of the pro-

REPORTS FROM BANGKOK

Rubber Export

Rubber is the second largest export commodity of Thailand, its importance to the national economy being exceeded only by rice. In 1956 the value of rubber export accounted for about 22 percent of the total export value. Though Thailand is the world's third largest rubber exporting country, the percentage of its rubber export to the world total export is relatively small, being only 6 in 1954. Thus Thailand can exert little influence on the world rubber market. Before the war, most of Thai rubber was exported to Malaya for processing and re-exporting. After the war the United States is Thailand's largest rubber market, taking more than 90 percent of total rubber export. Rubber is, therefore, considered as the most important dollar earner of Thailand.

In 1956 Thailand exported 135,618.3 tons of rubber valued at 1523 million baht, as compared with 132,495 tons valued at 1799 million baht exported in 1955. Though the amount of rubber export in 1956 increased by 3123 tons, its value decreased as much as 276 million baht. This was due to the decline in rubber export prices, which are influenced to a great extent by the United States' purchases of natural rubber and production of synthetic rubber. In

posed refinery is late 1960 or early 1961. Gulf, with world wide production, will furnish the crude oil. The new company will engage in marketing petroleum products in the Philippines. The proposed refining and marketing company will be the first controlled and operated by Philippine interests.

The Naga plant of the Cebu Portland Cement Co. will be modernized and expanded with the arrival of new machinery and equipment from Japan. Two kilns at the plant will be converted to utilize the dry process of manufacturing cement, which is to double the present output of each kiln. Present production is about 4,800 bags of cement a day. Machinery will be supplied by Kobe Steel Works.

Ysmael Steel Manufacturing Co. hopes to go into the manufacture of low-cost small cars in the Philippines. The company would need an annual dollar allocation of approximately \$1,543,000 for the importation of raw materials and engines but would manufacture the bodies out of local materials. Negotiations for the engines were started with a European manufacturer. Turning out 1,500 cars a year is expected, to sell for P5,000 each. An additional allocation of \$200,000 would permit the company to turn out TV sets.

A new addition to the Eternit Corp. plant in Mandaluyong is expected to start turning out high-pressure water pipes by April. The present Eternit plant has been producing flat and flexible sheets; soil, drain and electric conduit; and other minor construction items, using 80% local cement and 20% asbestos imported from Canada. Machinery for the new addition is bought from Belgium. Eternit Corp. of the Philippines was originally capitalized at P1,250,000. Chairman of the Board is Aurelio Montinola; president, Gerald Wilkinson.

The cost of living index for lower income families in Manila rose to 330.7 in January (1941 equals 100), as compared with 319.2 in December. The figure for January of this year compares with 310.6 in the same month of 1957 and is the highest since 1952, when a peak of 339.4 was reported. Food items, especially rice and fish, accounted largely for the rise. There were also sizeable increases in clothing and fuel costs.

1955 rubber export prices averaged 13.57 baht per kilogram. In 1956 the average prices dropped to only 11.22 baht. There was also a notable change as to Thailand's rubber markets in 1956. Before that year, more than 95 percent of Thai rubber was exported to dollar area. The percentages of rubber export to dollar area in 1953, 1954, and 1955 were 98.18, 98.8, and 97.02 respectively. In 1956 the share of rubber export to dollar area dropped to 90.92 percent, while that to sterling area rose to 6.67 percent.

The amount of rubber exported during January to September 1957 totalled 94,554.5 tons as against 93,366.8 tons exported in the corresponding period of last year. It is, therefore, hoped that this year's total rubber export will not be less than last year. However, as the rubber export prices in 1957 dropped to 8.90-9.10 baht per kilogram, which is about 20 percent below the 1956 average prices, the value of rubber export in 1957 is likely to be less than last year.

The amounts of rubber exported monthly from January to September 1957 are as follows:—

January 4,792.3 tons, February 14,218.8, March 21,253.5, April 6,065, May 8,664.1, June 12,190.4, July 13,478, August 5,759.8, September 8,132.6, Total 94,554.5 tons.

The amounts of rubber exported to various countries during the above period are as follows:—

United States 84,834.6 tons, Malaya 5,124.7, Singapore 2,366.1, West Germany 1,433.6, United Kingdom 617.2, Italy 81.7, Canada 55.9, Australia 25.5, Japan 5, Total 95,554.5 tons.

Thailand's rubber markets in 1957 are more diversified than previous years. The percentage of rubber export to the United States during the above period was 87.50 as compared with 92.43 during the corresponding period of last year. This shows that when the prices of natural rubber decline, sterling area countries will buy less synthetic rubber and will buy more natural rubber, thus enabling Thailand to sell more rubber to other countries besides the United States.

Tin

Under new arrangements recently reached, Thailand may supply more of the world's tin than under previous arrangements. Under previous arrangements Thailand could supply only 6.29 percent of the world consumption of tin whereas at present Thailand may supply up to 7.35 percent. Producing countries which do not subscribe to the International Tin Agreement, including Soviet Russia and Communist China, are exporting an estimated 2,500 tons of tin annually.

Oil

The Mines Department will start drilling for resources in an oil survey for which the government already allotted 85 million baht. Drilling will be made at Tambol Khunglan, Ampur Bang Pa-in Ayudhya. It is hoped to drill five holes in order to make an estimate of the resources. An aerial survey indicated that large oil resources may be found in this area. Geological structure indicates that oil may be underground over an area of 200 square kilometers. If no oil is actually found, natural gas is bound to be found, which is as useful as fuel for cooking purposes. If neither oil nor gas is found, shale, lignite or gypsum or, at least, good artesian well water may be found. If oil is found, a large refinery will rise in this area and Thailand will be making large savings in foreign exchange presently used for oil

imports. Aerial survey has also indicated presence of oil in Singhburi and Samud Sakorn.

Yarnhee Timber

The Cabinet decided that the Government's own Forest Industry Organization should exploit the Yarnhee timber. Two former National Assemblymen who had offered 100 million baht for the concession had not turned up to sign an agreement on the concession. Private concerns or individuals may be given subcontracts for exploiting the Yarnhee timber. If a survey of timber resources in the area to be flooded with raising of the Yarnhee hydro electric dam shows that there are large tracts of forests or if the FIO feels that the amount of forests is too small for profitable exploitation by the FIO, subcontracts may be issued.

The Irrigation Department will assist in the survey by declaring the points up to which the land will be flooded. The Forest Department will have trees within the designated area stamped with the department's seal. Later, a detailed counting of the kinds and quantities of trees will be made by Forest Department and Forest Industry Organization officials. The area will be plotted into sections for exploitation over a six-year period, the period required for completing of the Yarnhee project, each section to be exploited before actual flooding.

Trade Affairs

To improve the economy of the nation, the Board of Trade is proposing to lower or abolish export tariffs, it was stated by Nai Thonglor Bunyanit, secretary-general of the board. The board also is going to propose promotion of the tourist trade, which he called a "dollar-earning invisible export." The board is proposing that, in order to help improve the tightmoney situation, the Government should order its offices and organizations to pay up debts owed to contractors and traders. Nai Thonglor said a lot of money is owed by government organizations, and contractors who built for the Government; merchants who provided supplies to the Government are short of money to carry on their businesses, as a result of the delayed payments. Nai Thonglor reported that Thailand is expanding its export markets and is selling more of its products. Tapioca, castor seeds, maize and soya beans are in increasing demand abroad.

Lowering or abolishment of export tariffs would promote exports further by making it possible for Thai traders to compete from a better position with traders of countries of a similar economy. Nai Thonglor said that the Government gets enough money from the one percent business tax and if the export trade is promoted through lowering or abolishment of export tariffs the income from this tax source will increase.

On tourism, Nai Thonglor said that the board made recommendations for its promotion to the previous government but nothing was done by the previous government.

Nai Thonglor said that Thailand has been trading with Communist China for some time, if not directly, at least indirectly, through Hongkong. "We should sell where we get good prices. We should not bank on sale of rice to Communist China, since China has bought rice from Burma only in order to ship this rice to Ceylon. It is better to maintain our traditional rice markets. We are selling all our surplus as it is."

Communists

Because of the Government's actions against communist activities, the Communists have been in relative quiet, it

was stated by Acting Foreign Minister Visut Arthayuk. It has become noticeable that the communists and pro-communists changed their propaganda tactics. Whereas formerly communist propaganda was directed against America, it was now for friendship with America as well as with Soviet Russia and Communist China and communist propaganda is now in favor of the King. Communist propaganda about the Government following in the footsteps of America has been reduced. The Thai Government is combatting the communist danger and Field Marshal Sarit Thanarat, Supreme Commander of the Armed Forces, has clearly expressed this.

Nai Visut said: "SEATO is really what stands between communist aggression and Southeast Asia. That is why the Communists want to do away with SEATO. It is not merely a defensive pact, it is a pact that prevents the expansion of communism. SEATO stands in the way of the communist route, which, Lenin said, lies through Peking and Calcutta. Communist activities are directed towards turning Thailand to the left or at least making it neutral, so that Thailand would give up SEATO. Communists are trying to get as many of their fellow-travellers into the National Assembly as possible. Communists have been getting peo-

VIETNAM REPORTS

Power Development

The Danhim Power Development Plan has come to be discussed keenly. It was in the summer of 1955 that the Vietnamese Government decided to adopt the plan. In October of the same year, the Vietnamese Government contracted with the Nippon Koei Co. to draw up the design, which was completed after a year's dangerous surveying in primeval jungle by the company's topnotch engineers including President Yutaka Kubota himself. According to the plan, the Danhim River will be dammed up at Dran by an earthen dam with a height of 15 meters, and an artificial lake with a capacity of 24,800,000 cubic meters will be built there. On the east bank of the lake there will be an inlet, and a tunnel with a length of three miles will connect it with the east side of the plateau-like mountain. Here water conducting pipes with a total length of 2,800 meters will be laid with a head of 730 meters. The average and maximum flow rates of 8 cubic meters and 13.2 cubic meters per second is expected to produce electric power of 49,000 KWH to 80,000 KWH, which will amount to 430 million KWH in a year. The power will be transmitted over a transmission line of 150 miles to Saigon at the voltage of 230,000 volts.

The project is expected to cost a total of Y11,700 million—Y8,100 million for the construction of the station and Y3,600 million for the transmission including transformers. Despite the fact that France and the U.S. showed keen interest in undertaking the development project, the

ple who do not like America or SEATO or who think Thailand should be neutral to work for them."

Geologists Praise Joint Thailand-Malaya Surveys

Senior geologists from 15 countries ended a week-long session in Calcutta on 10 November with the adoption of their final report, expressing satisfaction that the first geological map of Asia to be published in 1958 is nearing completion, and asking that immediate steps should now be taken to prepare the regional maps showing the distribution of mineral resources in the Asian countries.

The geologists, who met a working party of U.N. Economic Commission for Asia and the Far East in examining the regional geological map found incongruities in rock formations on either side of the national boundaries between Thailand and its neighbors, and so asked these governments to consult each other and reach conclusive findings.

Considerable attention at the meeting was centered on the geological surveys of border areas undertaken jointly by Malaya and Thailand. The meeting congratulated Thailand and Malaya for the useful result achieved, especially in view of the disturbed conditions prevailing on the Malayan side at the time the survey was made.

Significant discoveries have already been made as a result of the survey and the meeting hoped that other Asian countries would also start joint surveys of border areas. Geological studies, the report notes, have little to do with geographical and political boundaries and a good knowledge of the geology of neighboring countries might often throw light on potential mineral-bearing areas of the country concerned.

The ECAFE meeting welcomed the approaching publication of the geological map for Australia and Oceania, which will be a sister map to the Asian one both being part of the project for a geological map of the world.

Vietnamese Government assigned the task to a Japanese company in the hope that the expenses will be covered by the reparations plan and that no political strings will be attached to the program. The Japanese Government is in favor of including the power project in the reparations plan since it agrees with the Government policy that reparations should be made in such a manner as to contribute directly to the welfare of the people and the stabilization of the economy of the recipient nation.

The Vietnamese Government wishes to start the construction as soon as the reparations problem is settled with the Japanese Government. Therefore, it will not be long before Japanese construction technology and electric engineering will advance into Vietnam.

Tourist Attractions

Vietnam is one of the countries of the world which is likely to fascinate the tourist. The surprising variety of her topography and population, the contrast between her ancient historic ruins and her modern buildings, her climate and her flora, leave no time for boredom to the visiting tourist. Vietnam also fascinates her own inhabitants. She is easily accessible. The capital, Saigon, is a turntable between India, Malaya, Burma, Thailand, Indonesia, China and Japan. Her airport at Tan-Son-Nhut is one of the most resorted to in the Far East; as for the wharves of Saigon port on the river's banks, they are within reach of international liners.

Inland, beyond the country's coastlines, green paddy fields extend as far as the eye can see, like green food-growing carpets. There, all around the horizon, the ground is level; no hill or vale is to be seen; even the waters of the rivers seem to prolong the plains; nothing screens the sight. At the horizon, the jungle heralds forest-clad mountains. In a general scenery of wild and thrilling beauty, the outlines of the flora mingle with the mysteries of the fauna. And yet, over that solitude floats a feeling of peace and harmony.

Art brings in the wealth of its splendors. Those lands are covered with pagodas, mausoleums, forts and citadels. Even in the countryside, monuments commemorate wisdom and the emperors. Their rusticity blends with a melancholic legend, on the shady banks of pools where in the summer breeze the red-crested flamboyant trees litter the soil with their fiery blossoms. How could one help feeling fascinated by this land and by its people worthy of their ancestors and of their temples where scholars are more honored than soldiers, and where antique poetry is still chanted in the prayers.

Whether he arrives by ship or by air, the traveller first beholds on nearing Saigon the spires of its cathedral which tower high above the city. Saigon owes its importance to its geographical position as the outlet of an immense and heavily populated rice-producing area and to the fact that it is linked with the inland by more than two thousand miles of waterways. The city is beautiful. Its streets are shady and full of people. Its fashionable Tu-Do street, the Far Eastern counterpart of the Parisian Rue de la Paix, is lined with shops full of goods which make of the city a meeting point between the West and Asia. Its public monuments, built early in the century, are of an old architectural style which contrasts with the style of the modern buildings. This mixture of past and present is not one of the least glamors of the capital city.

The numerous pagodas are worth a visit, as much for their picturesqueness as for their sites, for instance, the

Vietnamese pagodas of Truong-Thanh and Phat-An, the Indian Chettiar temples and the Chinese pagodas of the Chuong-Duong wharf. The Botanical Gardens are particularly interesting: they have one of the richest collections of orchids and equatorial plants of the world. Moreover, they have a wide variety of specimens of the peninsula's fauna which is rich in big game. The Saigon Museum is full of collections, relics of the main phases of the great civilizations of Indochina.

A quarter-mile-long boulevard leads to the Chinatown, Cholon. Cholon is a real Chinese city, with its picturesqueness and its crowd. It should be visited by night, when a cosmopolitan population slowly flow along its neon-lit streets. Countless signs at the entrance of restaurants, cinemas and night clubs, attract customers. Epicureans will find in Cholon restaurants famed for either Vietnamese, French or North and South Chinese cooking.

In Saigon as well in Cholon, there is less a question of seeing systematically a few monuments than of getting acquainted with a very peculiar atmosphere—Vietnamese, Chinese, Indians and Europeans blend together their civilizations and their particular ways of living in the city, in a constantly warm tropical climate.

When you leave Saigon through its northern suburb, you go across Gia-Dinh. There are some more important mausoleums here worth stopping to see. The tomb of Marshal Le-Van-Duyet who served Emperor Gia-Long to unify Vietnam, is one of the most typical. Justice Court oaths used to be taken on its altar during a long period. Bien-Hoa is a nice town on the banks of the Dong Nai river. At Bien-Hoa, one can admire in the Bun-Son temple, a granite statue dating from the 15th century and of Cham origin, which had long been concealed in the trunk of a tree. One should also visit the Art School for its pottery and bronze ware. The traditional skill of the Vietnamese craftsmen working in the school has continuously been kept in contact with modern techniques and methods.

The Tri-An Falls are 68 kilometers from Saigon. In the dry season, its waters fall from a height of eight meters over a width of 30. In the rainy season they cover the whole dam and the output is then over 100,000 cubic meters per minute. The journey through South Vietnam would not be complete without a stay at the seaside resort of Cape Saint-Jacques which the tourist travelling by sea first sees before steaming up Saigon river. One of the most thrilling excursions which one would make in Vietnam is driving to Nhatrang through Dalat. Dalat is an elegant and graceful town set amid flower gardens and pine woods. Everywhere can be seen dainty villas surrounded by beautiful gardens and well trimmed lawns, an artificial lake built for nautical sports, tennis grounds and a golf course which is one of the best planned in the Far East. Dalat is the dreamland of hunters. In less than two hours one may reach one of the most game infested woods: stags, roe-deer, peacocks, pheasant, boars, black bears, wild heifers, panthers, tigers, gaurs, elephants can be found here. Professional hunters act as guides.

Nhatrang is one of the most delightful seaside resorts of Vietnam. The bay includes coral reefs which can be admired during excursions in glass-bottomed canoes, to examine the sea-floor as one would look at fish in a vast aquarium. The group of sanctuaries of Po-Ngar, overlooked by a 23-meter high tower, gives an idea of the beauties of the Cham civilization.

The bay of Tourane, seen from the "Col des Nuages" mountain pass which overlooks it 31 kilometers away, is not inferior to the Bay of Naples, renowned throughout the world. The excavation made in the Cham areas of Mi-Son

and Tra-Kieu have shown the existence of 6th century fine art, related to Khmer art. The finest relics have been assembled in a splendid museum which is worth a visit.

Hue, the capital of ancient Vietnam, is about 100 kilometers from Tourane. The gracefulness and the beauty of its women are proverbial. It is in this Imperial City that one would grasp most easily the characteristics of Vietnamese civilization. The large citadel, with a two and a half league perimeter, formerly the abode of the Emperor and his thousands of courtiers and servants, has Vauban-style walls with bastion-doors opening on the quiet banks of the River of Perfumes. The Imperial Palace enfolds within an inner wall the glory and mystery of its monuments, of its courtyards and porticos. In the vicinity of Hue is the plain of Tombs overlooked by the King's Screen consisting of two artificially linked hills. An ancient Cham pyramid towards above it. The impressive Esplanade of Sacrifices, with its secular pinetrees, is the seat of the altars of Heaven and Earth where every three years the ruling monarchs used to come and offer the people's prayers to the Supreme Being. The lofty picturesqueness of the royal tombs is unequalled, not even by that of the famous tombs of the Ming and Tsing dynasties of which China is so proud. The six outstanding tombs that should be visited are those of Emperors Gia-Long, Minh-Mang, Thieu-Tri, Dong-Khanh and Khai Dinh.

Democratic Constitution

On Oct. 23, 1955, by a nationwide people's referendum organized for the first time in its history, the Vietnamese people elected President Ngo Dinh Diem as Head of State by 5,721,735 votes from an electorate of about 6 millions. At the same time the nation entrusted the head of state with the mission of setting up a democratic regime in Vietnam. The Republic was formally proclaimed on Oct. 26, 1955 and soon given recognition by over 40 nations of the Free World.

In accordance with the will of the people, expressed at the time of the referendum, general elections, with universal suffrage, were organized throughout free Vietnam on March 4, 1956 to appoint a Constituent Assembly. The Constituent Assembly met in Saigon on March 15, 1956 and immediately began drafting a Constitution, which was completed at the beginning of July 1956. The Constituent Assembly passed the final text of the Constitution on Oct. 20 after adopting most of the amendments proposed by the president of the Republic.

The Constitution, was promulgated on Oct. 26, 1956 of which the preamble is as follows: Confident in the glorious and eternal destiny of the Vietnamese state and nation, a destiny which is guaranteed by the victorious struggles of our ancestors and the indomitable will of our people; Confident in the perpetuity of our civilization which rests on spiritual foundations and the propagation of which is the duty of all citizens; Confident in the transcendent value of the human person whose free, harmonious and complete development on the individual as well as on the communal plane must be the object of all state activity; Conscious that the Constitution must satisfy the aspirations of the entire nation from the point of Ca-Mau to the Gate of Nam-Quan, these aspirations being; The consolidation of national independence and the struggle against all forms of domination and imperialism; The safeguard of the liberty for each individual and for the Nation; The erection, in the respect for the human person, for the benefit of all classes of the population of a political, economic, social and cultural democratic regime; Conscious that liberty, which is the ability to obey reason and moral precepts, can only be preserved if collective security is assured and the legitimate

HONGKONG NOTES AND REPORTS

Budget 1958/59—The Financial Secretary announced no additional or increased taxation was contemplated in the coming fiscal year (April 1, 1958 to March 31, 1959). Estimated expenditure for 1958/59 is \$641.5 million, estimated revenue \$554 m., resulting in a deficit of \$87.5 m. However, the deficit was unlikely to be realised; if necessary Government would finance the deficit out of reserves.

New Hotels—The owners of the buildings at the corner of Granville Road and Nathan Road are planning to redevelop the site (90/96 Nathan Road) but have not yet obtained government approval because their companies are not registered to undertake real estate development. It will take at least six months for the owners to reorganize their companies so that they might build an eleven-storey \$2.2 million hotel on the site with shops on the ground floor.

At the corner of Chatham and Cameron Roads, piling on the site of the proposed Park Hotel will soon be completed; the construction of this \$11 million 16-storey building will be completed next year. This new hotel will have 430 rooms each with an attached bath-room. The ground floor will be let out for offices and shops; there will also be a cocktail lounge and a restaurant. The owner of this new hotel also manages the Shamrock Hotel, the Ritz Hotel and the Sun Sun Hotel.

Multistorey Carpark—The Urban Council may issue monthly tickets at \$40 each for the parking of cars in the 3-storey carpark. Holders of monthly tickets will be entitled to park at any time between 8 AM and 6:30 PM but will be required to pay the normal fees in addition for parking outside the time limit. Normal fees for parking might also be reduced. During January, 12,239 cars used the multistorey carpark and the revenue from parking fees amounted to \$11,600. During the first 26 days of February, 10,861 cars used the park and the revenue was \$10,176. Construction of another multistorey carpark on a nearby site is well underway.

The Problem of Education—An 18-classroom school with an adjoining welfare centre will be built at Morrison Hill by the Salvation Army. One large primary school will be constructed by Government and another school by a voluntary organization on two sites near Lo Fu Ngam Re-settlement Estate. Work on these buildings will soon begin. In spite of the fact that Government and private organizations are building more schools every month there is still not enough school accommodation in Hongkong. At the end of March 1957, there were 1,402 schools in the Colony accommodating only 308,184 students. The educational picture in HK was recently outlined as follows:—

In 58 Govt. Schools (including rural) 30,577 pupils were enrolled; in 40 Grant-in-aid Schools 16,956 were enrolled; in 362 Subsidised Schools 77,495; in 942 Private Schools 183,156. Attention is called to the high proportion of pupils attending private schools and the relatively low number attending Government Schools. The fees received by the four types of schools in 1955-56 indicate a similar proportion to that of the numbers of pupils in them. Government Schools, about \$1.71 million; Grant-in-aid Schools, about \$3.48 million; Subsidised schools, about \$3.36 million; Private schools, about \$37.81 million. There is a far too great reliance upon private schools in contrast to Government schools.

Though it is realised that some of the private schools are of high quality, a few even ranking amongst the best schools in the Colony, the majority of the private schools are of low standard. This is shown by the following figures: while all teachers of the government schools and nearly all of the grant-in-aid schools are trained, and the subsidised schools have 1,735 trained against 457 untrained teachers, the private schools have only 925 trained teachers against 2,918 untrained. However, the proportion of the trained to the untrained teachers has greatly improved during the last two years.

There are no reliable figures available for the school-age population of Hongkong, and consequently there are no figures for illiteracy. This is regrettable, because reliable figures should serve as a basis for every school policy. It is hoped that this defect will soon be remedied. It is estimated, however, that 40,000 to 50,000 children of school-age have not attended school in Hongkong. If one takes into account that the school-age population in Hongkong is increasing at the rate of about 50,000 a year, one realises the magnitude of the task ahead. It is gratifying to know that by the end of 1961 the seven-year plan will probably provide 378,000 places for all children of primary school age, i.e., 6-11 years.

In 1957 the number of schools providing secondary education for about 55,000 was 272. Of these only 14 were government schools; 20 were grant-in-aid, 11 subsidised, and 227 were private schools. Out of the 55,000 children over 37,000 were taught in private schools. We see again that too high a proportion of the work is being done by private, and too small proportion by government schools. The figures of the primary school children—over 245,000—and those in secondary schools—about 55,000 show that only one-fifth of the children in Hongkong receive secondary school education. While it is realised that priority should be given to the development of primary education, there seems to be an urgent need for additional secondary schools. Some districts of the New Territories, e.g., Yuen Long and the Sheung Shui-Fanling districts, would greatly benefit from such expansion.

The total estimated expenditure on education for the financial year 1956/57 was over \$65,500,000, which was spent as follows:—Government Schools (incl. new buildings and equipment) approx. 30.5 per cent; Grant-in-aid Schools 14.2 per cent; Subsidised Schools 35 per cent; Private (non-profit-making) 0.48 per cent; Grants to University of Hongkong Administration and Inspection, 15.75 per cent; Other expenditure (incl. scholarships) 2.35 per cent. Considering that the large number of private schools obtained very little financial support 30.5 per cent spent on Government schools is a relatively low figure. The approved estimate for the total expenditure of the Hongkong Government for 1956/57 (yearly budget) was \$484,000,000 (roughly) out of which \$65,599,610 was spent on education. Thus the expenditure on education constitutes about 13 per cent of the total budget. We have no comparative figures of other countries at our disposal except those for Singapore, which in 1955 spent on education HK\$78,200,000 while Hongkong spent in the same year HK\$41,100,000. The number of pupils during the same period in Singapore was 220,000 while in Hongkong it was 262,000. While Singapore spent on education 21 per cent of its total budget, the corresponding figure for Hongkong was only 16 per cent. It appears that our figures do not compare favourably with those of Singapore and could well be improved upon.

Watch Cases—Nine local workshops make about 240,000 wrist watch-cases every month for export. The cost of an ordinary metal case ranges from 70 cents to \$6. Gold or gold-plated cases are more expensive. America and Europe are leading buyers. India, Indonesia and Middle Eastern countries also buy. The U.S. Federal Trade Commission recently charged a US watchmaker with misrepresenting watch cases made in Hongkong as being a Swiss

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rights of men respected; Conscious that our nation being located at the crossroads of international line of communication and migrations, our people is ready to receive all currents of progress with a view to perfecting before the Almighty and before humanity its mission which is the edification of a humanistic civilization for the safeguard and the development of man in his entirety; We, Members of the National Constituent Assembly, after deliberation, adopt the Constitution.

HONGKONG PUBLIC COMPANY MEETINGS

HONGKONG ELECTRIC CO.

At the annual general meeting on March 13, Chairman B. T. Flanagan stated: "The Company continued to expand during 1957 the peak load increasing from 64,700 K.W. to 72,500 K.W. The sales of current at 301,799,542 K.W.H. increased by 14.57% as compared with 1956. Consumers at 31st December 1957 totalled 77,061 and the number of meters on circuit amounted to 120,372, an increase of 6%. A further substantial increase in load can be expected in 1958 due to the intensive use of building sites for multi-storey offices in the City and for residential accommodation elsewhere. The analysis of sales for 1957 is as follows:—Lighting 88,688,517 units, Public Lighting 2,341,287 units, Bulk Power 69,717,352 units, Commercial and Domestic Power 141,052,386 units. Sales of current to the China Light & Power Co., included in the Bulk Power sales, total some nine million units.

"The generating capacity at the existing "A" Station amounts to 92,500 K.W. The plant generally has been operating at a high level of efficiency during the year. Progress on "B" Station has been entirely satisfactory and we hope that new plant of a capacity of 300,000 K.W. will be available to us in time to take the winter load in 1958. In anticipation of further increases of load on the system, orders have been placed with our contractors for additional units which will be put into service during 1959 and 1960, increasing the capacity of the "B" Station to 90,000 K.W., and this new plant will at the same time permit us to retire obsolete equipment in the "A" Station.

"Government has approved a plan to join Electric Road to Java Road across the Power Station site running from west to east. Negotiations with Government led to an agreement for an exchange of land, and in addition the Company purchased an area of land on the Hongkong Government Stores site adjacent to our Power Station, thus ensuring that a similar area of land continued to be available to us. Two pieces of land south of the projected line of Electric Road then became surplus to the Company's needs. One piece adjacent to the Empire Theatre has been sold and the other piece fronting King's Road is at present subject to negotiations for sale.

"The policy of strengthening our high tension distribution system in the City and outskirts has been actively pursued with the result that we have succeeded in keeping pace with the rate of building on the Island, and have been able to give a supply to the various forms of development as the buildings were completed. We have ordered additional equipment so as to increase the capacity of the 22 kV. substations at Morrison Hill, Zetland Street and Hospital Road. Further extensions to the 22 kV. system will in the foreseeable future be necessary in order to meet the requirements of buildings on the extension of the Central Reclamation.

"The basic charge of lighting units remains at 28 cents less discounts for quantities consumed and that for power at 12 cents per unit. The rate of surcharge was increased from 9% to 18% on the 1st March 1957 due to a very considerable increase in the price for fuel oil which had been taking place in 1955 and 1956. On 1st August 1957 the rate of surcharge was reduced from 18% to 15% to give consumers the benefit of a reduction in fuel oil prices. A further reduction in price took effect in February of this year, which together with the results of increased efficiency, enabled us to reduce the surcharge to 12% as from 1st March 1958. The actual rate of surcharge did not recover all the additional costs of fuel, and an amount of \$1.8 million was borne by the Company in 1957. We expect to bear a larger amount in 1958. It is our intention to consolidate our rate structure and eliminate the fuel surcharge as soon as we are assured of a supply of fuel at a reasonably stable rate.

"Plans for extensions to the Generating Station and Distribution System now total some \$116 million. On a short term basis, finance has been arranged with the co-operation of our bankers, The Hongkong and Shanghai Banking Corporation, but it will probably be necessary to raise further capital at some

future date. Referring to the two land sales effected by the Company it should be noted that capital surpluses have accrued to the Company. For the time being, however, these have been placed in a suspense account until the remaining land sales have been finalised. The appropriations recommended by the Board are: General Reserve, \$4.5 million; Interim Dividend of 60 cents paid September 1957, \$3 m; Final Dividend of \$1.30 per share payable on 13th March 1958, \$6.5 m; Carried Forward, \$895,751."

HONGKONG LAND INVESTMENT & AGENCY CO.

The Chairman's statement for the year 1957 was released and extracts of it follow:—

The new Jardine House at the corner of Pedder Street and Des Voeux Road was substantially completed by the 15th February, 1958. The work of construction was slowed down mainly due to the late arrival of the structural steel, design and fabrication delays having been aggravated by the Suez crisis, until by August last year delivery was some five months behind schedule. This seventeen-storey redevelopment however was completed in less than two years despite the early difficulties.

We are now on the point of demolishing King's and York Buildings to clear the site for the construction of the first section of Union House. Satisfactory alternative accommodation where required has been found for the tenants of these buildings and the moves are proceeding smoothly. The 97,000 square feet of accommodation in Jardine House has made little impression on our waiting list for business premises. The first section of Union House, when completed in 1960, will add a further 250,000 square feet, and despite the many other new buildings now under construction or being planned for the Central District, we anticipate no difficulty in being able to fill it. It is clearly in the best interests of the Company, as well as of the business community as a whole, to press on with further redevelopment so long as the demand persists.

I mentioned last year that any substantial increase in the flow of tourists to Hongkong, confidently forecast by local travel and tourist interests, would have to be preceded by a substantial addition to the first class hotel facilities, particularly on the Island, and that the Directors were exploring the possibilities. We have since been approached on behalf of parties who are promoting a scheme for the construction of a large hotel which might involve one of the Company's properties but as the parties concerned have alternative sites under consideration it is too early to say whether the negotiations will lead to a proposition which the Directors could accept.

Government has made no announcement about the Bill to amend the Landlord and Tenant Ordinance since the public was informed in December 1956 that its second reading had been postponed. While any proposals for an increase in controlled rent or for gradual de-control, however reasonable and justified they may be, are bound to be met by a storm of protest from interested parties, the anomalies and inequities under the present Landlord and Tenant Ordinance urgently call for fearless legislative action. We can only urge Government not to be deterred from tackling this difficult problem.

The profit for the year amounted to \$9,880,167, an improvement of \$916,001 on the figure for 1956. After allowing for Amortisation of Crown Leases, Depreciation and Replacement of Buildings and for Taxation, the net surplus for the year represents a return of 11.8% on the paid up capital of the Company, or approximately \$2.95 per share. Rent revenue again provided the major part of the increase in the profit figure. A full year's earnings were received from the second part of Alexandra House, compared with only about nine months in 1956. This alone added \$437,000. Every suitable opportunity has been taken to negotiate appropriate rental adjustments, mainly on the occasion of the renewal of tenancy agreements, so as to bring these more into line with a fair assessment of the

true rental value of the premises. These was a further substantial improvement in revenue from the Agency Department which is now managing properties with a total annual rent roll of more than \$7,200,000. The gross management and agency fees earned for 1957 amounted to \$340,703, an increase of nearly 29% over 1956. The 1956 figure was 28% better than for 1955; in 1958 this Department will register further gains. The Gloucester Hotel has also done well. Notwithstanding an increased rent charge as from the 1st January, 1957, from \$252,000 to \$420,000 per annum, the net profit for 1957 amounted to \$456,101, an improvement of \$55,696 over 1955. A new scale of room charges, representing an overall increase of about 13%, introduced from the 1st May, 1957, and a lower percentage of vacant rooms during the Summer season, were responsible for improving gross revenue from hotel rooms by \$176,974. The Restaurant and Bar also showed better returns and with the opening of the new Terrace Lounge extension at the beginning of this year we may confidently look for some further improvement.

An Interim Dividend of \$1.20 per share was declared payable in September, 1957, and it is proposed to pay a final dividend of the same amount, making a total for the year of \$2.40 per share on 2,400,000 shares. This means that the amount of dividend to be distributed will be increased by \$1,210,000 to \$5,760,000 as compared with \$4,550,000 for 1956 when a dividend of \$3.50 per share was paid on 1,300,000 shares. Provision has been made for the usual Bonus to Staff. There is a new item of \$100,000 to be credited to a Staff Retirement and Welfare Fund. This will be the first contribution to a fund earmarked for the members of the Staff who are not eligible to participate in the existing Staff Provident Fund. In addition to this new Fund, we have, from the 1st January, 1958, established a Staff Savings Fund for these same employees. It is proposed to transfer a further \$1,300,000 to General Reserve, bringing the balance on this account to \$7,900,000. There will then remain the sum of \$254,019 to be carried forward. The Balance Sheet at 31st December, 1957, records the increases in Authorised Capital and Issued Capital which were proposed and adopted by the Company in general meeting on the 25th March, 1957. A further 900,000 shares were issued as fully paid up by absorbing \$22,500,000 from Capital Reserves, and another 200,000 shares were successfully issued at par in June, 1957, to raise the sum of \$5,000,000. The Company's Issued Capital and Capital Reserves now total \$87,512,000. The corresponding figure at the end of 1946, eleven years ago, was \$7,500,000, a striking reflection of the development of the Company's undertaking and the extent of its adjustment to changing values during the post-war years. The net amount appearing in the Balance Sheet for Land and Buildings, under the heading Fixed Assets, shows an increase over 1956 of \$4,026,271. The sum of \$5,703,163 was expended on building construction and improvement, of which \$5,614,971 was for the new Jardine House, but this figure is partly off-set by the \$1,676,292 provided in 1957 for the Depreciation and Replacement of Buildings. Mortgage loans outstanding at the end of the year amounted to \$1,732,000, an increase of \$702,000 over the balance at the end of 1956. This amount is made up of advances to owners of property which is under the management of the Company's Agency Department.

HUMPHREYS ESTATE & FINANCE CO

The chairman of the Company (Mr. E. R. Childe) made the following statement to the shareholders' meeting, for the last year: I mentioned that we were considering further building in the May Road area. It was decided as a first step to build on the vacant site at 15/17, Peak Road (the old Chartered Bank house site). Site formation was accordingly commenced in November last for two apartment houses, comprising 15 flats, to be known as "Friston" and "Balmacara," which will be built this year. Tenders have already been called, by the Mid-Level School Building Fund Committee, for the school to be built on a part of the same site.

We had no vacancies during the year. Clovelly Court had a full year's return and, as a result of this, rents show an increase of \$82,289. Interest was higher by \$48,000 than in 1956 as we received a full year's interest on the mortgage of the Kowloon property which was sold in 1956. The interest on this is at a

low rate, as the mortgage was granted in place of deferred instalments of the purchase price and the return was arranged to be the equivalent of the controlled rents we should have received had we retained possession. Property Expenses have increased, due mainly to fairly heavy repairs which required to be made during the year. Interest paid to the Bank was \$64,670 less than in 1956, due to the reduction of our overdraft by the payment received from the sale of the Kowloon property and by the monthly rentals received. Legal and Professional Charges include cost of a complete survey of our Estate and the total General Expenses are slightly less than in the previous year.

The Net Profit carried down shows an increase of \$130,323. After making provision for depreciation on the same basis as last year, for Corporation Profits Tax for 1957/8 and a part of the 1958/9 Tax liability, and taking credit for unclaimed dividends to the end of 1952 now written off, there remains a sum of \$935,643 available for appropriation. This is much less than the corresponding figure for 1956, but it compares with \$782,803 if the profit on sale of the Kowloon property is excluded from the latter. The Board recommends the payment of a dividend of \$1.40 per share, which will absorb \$910,000, carrying forward a slightly increased amount of \$246,100 to next year.

CHINESE ESTATES

The annual meeting of Chinese Estates, Limited was held on February 3, 1958. The Chairman, Mr. Leung Kwai-tin, reported that the net profit for the year, after deducting Directors' and Auditor's fees and all expenses, amounted to \$836,399, which, added to \$344,979 brought forward from the last account, showed a total of \$1,181,379. Total rent receipts showed an increase of about \$8,400, dividends on share investments about \$29,000, and miscellaneous receipts about \$39,000. The total receipts increased by about \$75,900 over 1956. Due to increases in property and administration expenses, the total expenditure also increased by about \$21,700.

During the year an interim dividend of \$10 per share was paid. Directors recommend that the remaining sum of \$1,016,379.90 be appropriated as follows: To pay a bonus to the directors and staff of \$41,820; To pay a final dividend of \$20 per share, making a total of \$30 per share for the year 1957; To provide for reconstruction of building, \$300,000. After payment of the final dividend, which absorbs \$330,000, and provision for reconstruction, etc., there will be a balance of \$344,559, which will be carried forward to next year's account.

BANK OF CANTON

Mr. T. O. Soong, Chairman, announced at the annual meeting on February 26 that the Bank of Canton Limited made a profit of \$2,305,992 last year. It was decided at the meeting to pay a dividend on 1st preference shares at eight per cent, a dividend on 2nd preference shares at four per cent, a dividend on ordinary shares at four per cent, an additional dividend on 1st preference shares at four per cent, a bonus dividend on 1st preference shares at three per cent, a bonus dividend on 2nd preference shares at one per cent, a bonus dividend on ordinary shares at 1 per cent, a bonus to members of the subscription committee totalling \$35,613.60, fees to directors totalling \$40,000, a bonus to directors totalling \$64,600, and a bonus to staff totalling \$291,517.

HONGKONG ENGINEERING & CONSTRUCTION CO.

A profit for the year of \$2,012,560 was reported by the Directors of the Hongkong Engineering and Construction Company, Ltd. at the annual meeting on March 12. The total amount available for appropriation is \$2,069,560. An interim dividend of 10 cents per share and a bonus of 10 cents per share was paid on August 27, 1957, absorbing \$400,000, leaving a balance of \$1,669,560. Directors recommend: to transfer to General Reserve \$950,000; to pay a final dividend of 20 cents per share \$400,000; to pay a bonus of 10 cents per share \$200,000; to carry forward to 1958 \$119,560.

FINANCE & COMMERCE

HK EXCHANGE MARKETS

The US\$ market is gradually expanding and sales are on the rise with clients coming from very far afield. Last week's spot and futures totaled US\$6 million, and the trend is for still further increase in turnover. Elsewhere in the Far East, with exchange restrictions being prevalent almost all over the region, the role of Hongkong as the principal open exchange market in Asia is recognised and the facilities offering here have been readily taken advantage of by businessmen and even government officials. We are often criticised for operating a free market—but a good deal of our prosperity is based on this function which, at times, does not help neighbouring countries' economic policies to be properly implemented, due to the lack of, let us say, patriotic spirit among the nationals of these countries.

Ample and frequently indiscriminate US assistance, in the form of US\$, reaching various Far Eastern governments and individuals, finds its way somehow to the local free exchange market. Previously Korea was a good source of US\$ supply; recently the three ex-Indochina states, provided quite lavishly with US aid, have figured importantly in our local market. International operators, since many years, are fully conversant with the local market's advantages and have channelled a considerable amount of their regular clearing and set-off as well as arbitrage transactions through Hongkong. In this regard, more can be done as the supply of US\$ is increasing while merchant and investment demand, arising from purely local and regional sources, is inadequate. Remittances to the US for investment there have been much reduced due to various factors, mainly the strength of sterling and the well-founded confidence in the security of Hongkong. On balance, locally invested funds in the US have declined as more liquidations of investments in America were recorded than transfers of money from here to the US for deposits and any other form of traditional and speculative investment.

In Far Eastern currencies the business scope has considerably expanded in the more recent past and several native banks have been able to profit greatly from specialisation in this field. T.T., D.D., notes and various unconventional methods of transfer are being practised mainly for the benefit of overseas Chinese in Southeast Asia. If no free exchange market had been in operation here, the influx of capital from Chinese in Far Eastern countries, which was fairly continuous during the postwar years, could not have been so smoothly effected, and perhaps the total

of such remittances would have been very much lower. China—both Chinas to be correct—profited greatly from the local free market, apart from other considerations, by obtaining capital from overseas Chinese (not for investment in most cases but for maintenance of families in the home country).

Bank notes are now being sold by many money changers and their protecting and financing banks in a bewildering variety. You name it, and they have it; from the Calypso land to Antarctica. Full credit must be given to the financial resourcefulness of our money changers—big and small—who have built up a bank note trade unrivalled elsewhere in Asia.

Gold exports are slightly down as demand in 'outports' is declining. Bullion business, being of great significance to the general tone of the local economy, may score this year a reduced turnover and profits but will still—India etc. permitting—be satisfactory.

Peking's yuan is traded in small lots only; often the turnover is discouraging. Market rates have no bearing on the financial or exchange position of China, they only indicate the technical position here as influenced by some capital flight from China, illicit trading etc. The previously flourishing smuggling across the border with Kwangtung, which helped to reduce our high import excess, has now come to a virtual standstill as the authorities in Canton and elsewhere in South China have perfected the system of control over illicit trading. The success of the Communist authorities in this field shows that even without resorting to ruthless measures one can clamp down on smuggling. What has been done in Canton is to enquire—politely of course—where owners of certain commodities, which obviously were brought there by the small-time smugglers, had obtained their supply. That did it. Nothing is more effective when trying to control the movement of proscribed goods than to go to the source of supply or, if that is not feasible, to the end-users. The communists have not invented these control measures, they only apply them where others, for reasons best known to the various authorities, pretend inability or lack of understanding.

Money has become less easy though interest rates on the free market declined. Banks are eager to finance credit-worthy business men but they seem to have been decimated. Real estate no longer attracts even less conservative banks and financiers; there is an expectation that some more failures of construction companies may follow and that land prices will show a more sober trend. The building boom has been overdone; tenants get scarcer. Flimsy, shoddy, hasty building continues

which, in the end, proves expensive because of the necessity of repairs.

Overseas Chinese capital is not piped into Hongkong at the rate of a year ago; the flood has turned to a trickle. But with some further stirring up of Chinese residents in Southeast Asia, a new bonanza might be hoped for. But the question is whether there will be sufficient stirring up, and then where all this new capital could be squeezed into. All over the Colony, saturation points have been reached. There is a limit to expansion—and a limit to population increase. This however is not appreciated by the Chinese immigrants who, not because of any anti-Peking feeling but driven by sheer economic necessity, continue to swell the already dangerously swollen population. Where is the bursting point? The so-called refugees from China want to escape from their nation's population pressure and poverty. They have not heard of birth control or, better still, eugenics measures, and thus Hongkong is filling up all along the foot hills, picturesque peaks and roof tops of our tenements. What prospects!

* * * *
3rd to 8th March, 1958

| U.S.\$ | | | | | |
|--------------------------------|--------------|-------------|---------------|--------------|--|
| March | T.T. High | T.T. Low | Notes High | Notes Low | |
| 3 | 583½ | 583 | 581½ | 580½ | |
| 4 | 583½ | 583 | 581½ | 581½ | |
| 5 | 584½ | 583½ | 582½ | 581½ | |
| 6 | 585 | 584½ | 582½ | 582 | |
| 7 | 584½ | 584½ | 582½ | 581½ | |
| 8 | 584 | 583½ | 581½ | 581½ | |
| D.D. rates: High 583½ Low 581½ | | | | | |

Trading totals: T.T. US\$4,020,000; Notes cash US\$485,000, forward US\$1,670,000; D.D. US\$290,000. The market was very quiet with little change in rates. In the T.T. sector, gold importers and switch exchange operators bought, and funds from Japan, Korea, Thailand and the Philippines were offered. In the Notes market, rates between T.T. and Notes widened and shippers were able to operate at a small profit. Speculators were hardly operating. Positions averaged US\$1½ million per day. Interest favoured sellers and aggregated HK\$3.45 per US\$1,000. In the D.D. sector, market was very quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.765—1.7575, Japan 0.014325—0.01415, Malaya 1.876—1.873, South Vietnam 0.06802—0.06637, Laos 0.061, Cambodia 0.08—0.077, Thailand 0.2739—0.2717, Indonesia 0.105—0.104. Sales: Pesos 275,000, Yen 82 million, Malayan \$260,000, Piastre 8 million, Kip 5 million, Baht 3 million, Rupiah 200,000.

HK SHARE MARKET

Buyers last week refrained from extending their commitments after heavy purchases during the previous weeks. Prices moved within a narrow margin and were steady in general in spite of small scale profit-taking and light selling pressure. Interest was centred on Wheellocks, Lands, Hotels and Utilities. Turnover on Monday totalled

\$856,000, Tuesday \$781,000, Wednesday \$177,000, Thursday \$258,000 and Friday \$478,000.

Dividends—The Vibro Piling Company announced a dividend of \$1 plus a bonus of \$1.25 per share for 1957. A. S. Watson & Company declared a dividend of \$1 per share for the year ended October 31, 1957. The Mercantile Bank will pay a final dividend of 6½ per cent less income tax on the

increased capital. The Chartered Bank's final dividend is 7½ per cent actual, subject to income tax, making a total of 15 per cent for the year 1957. The Hongkong and Yaumati Ferry Company will pay a final dividend of \$5.50 per preferential share and \$5 per ordinary share in respect of the year 1957.

HONGKONG STOCK EXCHANGE
IN FEBRUARY

A more buoyant note marked the opening of the market in February, and during the earlier part of the month Utilities were active at improved rates but prices eased later although the demand remained at lower levels. The highlight of the month was the 100% increased distribution of profit for 1957 announced by the Hongkong & Shanghai Hotels, and was followed by active trading in these shares.

Banks and Insurances: Moderate trading was reported in Hongkong Banks with prices ruling steady. More activity was noted in Unions with no change in rates. Lombards attracted attention and shares changed hands at improved prices. **Investment Companies:** Interest was lacking in this section with prices stable. **Shipping:** Only light scale trading was reported with Wheellocks in the lead. **Docks & Wharves:** Hongkong Docks were active and deals recorded at increased rates. Kowloon Wharf shares were enquired for and moderate trading resulted. China Providents registered increases in active trading. **Lands & Hotels:** Hongkong Hotels were the highlight of the month and prices registered a sharp rise following announcement of an increased dividend and a bonus. Both Hongkong Lands and Humphreys were dealt in, the latter at higher levels than obtained last month. Fairly large parcels of Realty's changed hands. **Public Utilities:** Hongkong Trams and Hongkong Telephones were in demand at improved rates. The demand for China Lights and Hongkong Electrics was maintained with China Lights showing an improvement in later trading. **Industrials:** Little interest was taken in this section with Cements easing to lower levels. **Stores:** Dairy Farms and Watsons were active at increased rates, with enquiries for Lane Crawfords at improved prices. Sinceres were enquired for at slightly higher levels. **Miscellaneous:** Business was restricted with one large parcel of International Films changing hands at a reduced rate. **Constructions:** came in for attention without price changes. **Cottons:** Only light scale trading was reported. **Rubbers:** Activity in this group was upon a light scale with Amalgamateds in the lead; share prices were influenced by the price of Raw Rubber.

Dividend and bonus announcements were made by Bank of East Asia, Union Waterboat Co., Hongkong & Shanghai Hotels, Hongkong Land Investment & Agency Co., Humphreys

| Share | Feb. 28 | Last Week's Rate | | Closing | Up & Down | Dividend | Estimated Annual Yield (%) |
|-------------|---------|------------------|----------|------------|-----------|----------|----------------------------|
| | | Highest | Lowest | | | | |
| HK Bank | 810 b | 810 | 805 b | 810 | steady | \$50 | 6.17 |
| Union Ins | 70.50 n | 70.50 | 68.50 b | 70 | —50c | \$3.40 | 4.86 |
| Lombard | 33.25 n | — | — | 33.25 n | quiet | \$2 | 6.02 |
| Wheelock | 6.25 | 6.25 | 6.15 b | 6.25 s | steady | 75c | 12.00 |
| HK Wharf | 122 s | 123 s | 121 | 122 s | —50c | \$2 | 4.92 |
| HK Dock | 55 | 55 | 54.50 b | 54.50 | —40c | \$1 | 8.13 |
| Provident | 12.70 | 12.70 s | 12.30 | 12.30 | —50c | \$2.40 | 7.27 |
| HK Land | 33.50 | 33.75 | 32 b | 33 s | —50c | 15c | 11.11 |
| Realty | 1.35 b | 1.375 | 1.35 b | 1.35 b | —30c | \$1.50 | 9.38 |
| Hotel | 16.30 | 16.30 | 15.60 b | 16 s | steady | \$1.90 | 8.19 |
| Trams | 24.50 | XD 23.20 s | 24.30 | XD 23.20 s | —10c | \$1.50 | 5.86 |
| Star Ferry | 118 b | 120 s | 117 | 117 | —\$1 | \$9 | 7.69 |
| Yaumati | 100 | 99.50 | 98 | 98 | —\$2 | \$7.50 | 7.65 |
| Light | 17.50 | 17.80 | 17.40 | 17.40 | —10c | \$1.10 | 6.32 |
| Electric | 26.60 s | 26.60 | 26.40 | 26.40 | —20c | \$1.90 | 7.19 |
| Telephone | 27.50 | 27.50 | 27.40 | XD 25.60 b | —10c | \$1.50 | 5.86 |
| Cement | 24.60 | XD 21.60 n | XD 21.20 | XD 21.60 n | steady | \$3 | 13.89 |
| Dairy Farm | 17.20 | 17.20 | 17 | 17 | —20c | \$1.63 | 9.59 |
| Watson | 11.90 | 12.10 | 11.50 b | 11.90 s | steady | \$1 | 8.40 |
| Yangtze | 5.50 n | 5.50 n | 5.50 s | 5.50 s | quiet | 65c | 11.81 |
| Allied Inv | 3.675 n | 3.675 n | 3.65 | 3.675 s | steady | 25c | 6.80 |
| HK & FE Inv | 9.80 b | 9.90 | 9.80 b | 9.80 b | steady | 80c | 8.16 |
| Amal Rubber | 1.225 | 1.25 | 1.225 | 1.25 | +2½c | 20c | 16.00 |
| Textile | 4.65 | 4.675 s | 4.60 b | 4.65 | steady | 50c | 10.75 |
| Nanyang | 9 b | 9.15 | 9 | 9.15 | +15c | \$1 | 10.93 |

Chinese Exchange: People's Yuan notes quoted \$1.625—1.57 per Yuan. Taiwan Dollar notes quoted \$0.148—0.147 per Dollar, and remittances at 0.143—0.142.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.02—15.98, Australia 12.50—12.48, New Zealand 14.20, Egypt 10.00, East Africa 14.80, South Africa 15.65, West Africa 13.00, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.177—1.175, Pakistan 0.775, Ceylon 0.935, Burma 0.53, Malays 1.839—1.832, Canada 5.9225—5.905, Cuba 5.00, Argentina 0.125, Brazil 0.052, Peru 0.26, Mexico 0.40, Philippines 1.8475—1.82, Switzerland 1.35, West Germany 1.35, Italy 0.009, Belgium 0.106, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.0125—0.0123, Vietnam 0.0695—0.067, Laos 0.061, Cambodia 0.0805—0.077, New Guinea 1.00, Indonesia 0.102—0.097, Thailand 0.266—0.261, Macao 1.05—1.00, Japan 0.0147—0.0146.

Gold Market

| March | High .945 | Low .945 | Macao .99 |
|-------|-----------|----------|-----------|
| 3 | 255½ | 254½ | |
| 4 | 255½ | 254½ | |
| 5 | 255½ | 254½ | |
| 6 | 255½ | 254½ | Low 264½ |
| 7 | 255½ | 254½ | 265½ High |
| 8 | 255½ | 254½ | |

The opening and closing prices were \$254½ and 255. Highest and lowest 255½ and 254½. The market was very quiet. Interest for change over in forward market favoured sellers and aggregated 90 HK cents per 10 taels of .945 fine. Tradings averaged 4,800 taels per day and totalled 28,800 taels of which 12,580 taels cash transactions (2,830 taels listed and 9,700 taels arranged). Speculative positions averaged 7,800 taels per day. Imports came from Macao (via Hongkong) and amounted to 11,000 taels. One shipment of 48,000 fine ounces reached Macao from here in the week. Exports totalled 10,500 taels (6,500 to Singapore, 2,000 to Indonesia, 1,000 to Rangoon, and 500 to Korea). Differences paid for local and Macao .99 fine were \$12.20—12.00 and 11.80—11.40 respectively per tael of .945 fine. Cross rates were US\$37.86—37.85 per fine ounce. 44,800 fine ounces were newly contracted at 37.85 C.I.F. Macao. US double eagle old and new coins quoted \$263 and 230 respectively per coin, English Sovereigns \$59 per coin, and Mexican gold coins \$275 per coin.

Silver Market: Exporters enquired but the market remained quiet. 1,000 taels of Bar silver traded at \$5.60—5.55 per tael and 1,200 dollar coins at \$3.60—3.58 per coin. Twenty-cent silver coins quoted \$2.78—2.75 per five coins.

Estate & Finance Co., Ltd., Hongkong Tramways Ltd., Hongkong Electric Co., Ltd., Hongkong Telephone Co., Ltd., Green Island Cement Co., Ltd., Kwong Sang Hong Ltd., Hongkong Engineering & Construction Co., Ltd., Amalgamated Rubber Estates and China Provident, Loan & Mortgage Co.

Business during the month: \$14,215,003. Business in 1957: \$147,621,871. Business during January/February, 1958: \$25,418,483. Business in February, 1957: \$17,876,287.

BUSINESS DURING THE MONTH

| | Qty. of Shares |
|----------------------|-------------------|
| H.K. Bank | 507 |
| Lombard Insurance | 3,110 |
| Union Insurance | 3,500 |
| Allied Investor | 750 |
| Yangtze | 12,500 |
| H.K. & Far East Inv. | 200 |
| Union Waterboat | 1,450 |
| Wheelock Marden | 48,770 |
| Wharf Co. | 1,998 |
| C. Provident (O) | 40,340 |
| (N) | 9,641 |
| H.K. Dock | 16,881 |
| H.K. & S. Hotels | 96,560 |
| H.K. Land | 26,782 |
| Humphreys | 19,200 |
| Realty | 60,500 |
| H.K. Tram | 65,130 |
| Peak Tram (P. Pd.) | 100 |
| Star Ferry | 236 |
| Yaumati Ferry | 3,069 |
| China Light | 80,798 |
| H.K. Electric | 45,029 |
| Telephone | 79,622 |
| Cement | 4,168 |
| Rope | 100 |
| Amoy Canning | 100 |
| Metal Industries | 500 |
| Dairy Farm | 51,856 |
| Watson | 12,623 |
| Lane Crawford | 1,432 |
| Sincere | 749 |
| Construction | 7,500 |
| Inti. Film | 11,000 |
| Textile | 22,000 |
| Nanyang Mill | 2,000 |
| Rubber | |
| Amalgamated Rubber | 143,697 |
| Ayer Tawah | 10,000 |
| Langkat | 1,805 |
| Rubber Trust | 36,503 |
| Sungala | 2,800 |

SINGAPORE SHARES

Fluctuations in the Industrial section during the week ended February 28 were between narrow limits. There was fair activity in Fraser & Neave from \$2.67½ to \$2.65 and back to \$2.67½. Gammons eased fractionally to close at \$2.30 after \$2.35 earlier, as did Robinson Ords, closing at \$1.75. Wm. Jacks were steady between \$1.93 and \$2.00c.d. and \$1.88 to \$1.88½x.d. Metal Box were in good demand from \$1.62½ to \$1.63½. Henry Waugh were out of favour easing from \$1.50 to \$1.46.

Tin shares moved in sympathy with the local metal price which improved to \$371 per picul early in the week but closed at \$365. Friday's drop of \$4.50 is attributed to the fact that a levy of \$21 per picul is to be imposed by the Federal Government in respect of the sixth contribution period, which runs from March 1st to March 31st. Heavier supplies than normal, there-

fore, came forward on that day, the last of the previous contribution period. Present indications are that supplies of Malayan Tin will become progressively less during March.

Austral Malay had small exchanges at 20/6 and has declared a dividend of 1/- per share. Austral Amalgamated eased to 11/7½ after 12/- earlier owing to disappointment that no similar declaration has been made. Berjantai and Lower Perak came in for good support up to 13/- but both then dipped to 12/9. Petaling were quietly steady throughout around \$1.75, as were Rantau at \$1.50. Rahman Hydraulic fell away to 44c., but Sungei Way improved to \$1.20 before buyers' requirements were met, although there was still some support at a slightly lower level.

Transactions in Sterling Tins at slightly improved levels were recorded,

and included Ipoh at 13/6½, Killinghall at 8/4, Malayan at 10/4½ and Siamese at 7/4½. Meru improved momentarily to 1/4½, but closed with sellers at 1/3.

Rubbers were dull throughout the period. Ayer Panas, however, improved to \$2.00, and Glenealy to \$2.42½. Mentakab were steady at \$2.25 as were Pajam at 84c. Suloh gained 5c. to close at 58c. Turnover in Sterling Rubbers showed only a modest improvement, and included Rubber Estates of Malaya from 9/6 to 9/9, Sandac from 1/8 to 1/8½, Singapore United at 2/2½, and Val d'Or at 4/8½.

Weakness on the London and New York markets continued to have a restrictive influence on interest in overseas investments generally. Dull conditions prevailed on the local Loan market.

TRADE DEVELOPMENTS IN FEBRUARY

CHINA TRADE

China/Japan Trade—A 5-year £200 million barter agreement covering the exchange of Chinese iron ore, coal, soya bean and other staples for Japanese steels was signed in Peking between Chinese trade officials and a Japanese steel mission which represented the Yawata, Fuji, Japan Steel Tube, Kawasaki and other Japanese steel manufacturers. £10 million worth of goods each way will be transacted this year. During the next four years the exchange of goods will amount to £18 m each way in 1959, £21 m in 1960, £24 m in 1961 and £27 m in 1962. Under another agreement amounting to £2.5 million signed between Chinese officials and representatives of the Toyomenka Kaisha Limited of Tokyo, China will supply 50,000 tons of high quality rice and substantial quantities of salt, etc. to Japan in exchange for metals, fibres and machineries. An official of the Japan Maritime Industry Company went to Peking during the month to negotiate the purchase of 800 tons of shrimps and 800 tons of croakers from China on behalf of four Japanese fishery companies. But the negotiation between Japanese trade mission and Peking officials for the signing of a 4th trade agreement dragged on during the month because Peking insisted that Chinese trade mission in Japan must have the right to hoist the national flag; that the execution of the agreement and its accompanying memorandum must be approved by the Japanese Government; and that the number of the personnel of the trade mission must not be restricted.

This £70 million agreement was finally signed on March 5 in Peking between the China Committee for the Promotion of International Trade and the Japanese Trade Delegation. According to the agreement, China will provide Japan with soya beans, coal, iron ore, manganese, pig iron, tin and

various other raw materials and farm products. Japan will in return provide China with rolling stock and equipment, power generating equipment, ships, heavy machinery, precision machinery, complete sets of equipment, copper ingots, aluminum, steel, chemical fertilizer and other industrial products. China will hold commodity exhibitions in Nagoya and Fukuoka and Japan will hold similar exhibitions in Wuhan and Canton. The agreement also provides for permanent Japanese and Chinese trade missions in Peking and Tokyo respectively and an attached memorandum permits the flying of national flags by the missions. In Tokyo, the Japanese Prime Minister immediately stated that this memorandum was "unacceptable". He said that the flag clause made it difficult for his administration which withholds diplomatic recognition from China to approve the trade arrangements. The Government of Japan wishes to increase trade with China but does not want to recognise the Peking Government.

China/UK Trade—A number of British businessmen and government officials visited China during the month but no one got any large order from Peking. In spite of the relaxation of trade embargo, UK's trade with China last year totalled £26 m which was only a small fraction of China's total 1957 trade of about £1,470 million. The Sino-British Trade Council which sponsored the visit of the Chinese economic and technical mission to Britain towards the end of last year however continued to seek a relaxation of the trade controls because the Chinese mission had expressed interest in a long list of British products including atomic engineering products and radioactive isotopes, vertical take-off aircraft, jet and other aircraft engines, shipyard layouts and many other British engineering and technological products. According to the Council's report, a Chinese textile

mission last year bought more than £700,000 worth of textile machinery including a complete woollen textile mill from UK.

Reports from Paris revealed that under Britain leadership, the 15-nation coordination committee which governs the restrictions on trade with Communists is now examining how these restrictions can be scaled down. The Foreign Policy Association in New York, a private group which studies foreign affairs, stated recently that US trade with mainland China may be inevitable but not imminent. The Association observed that US opposition to China is possibly less violent but just as firm as when the trade embargo was imposed in 1950. It said Washington believed that trade with China indirectly suggests recognition of the Peking regime and that would cause millions of overseas Chinese to shift their support to Peking and encourage neutrals throughout Asia to be neutral for rather than against the Chinese Communists.

China/Europe Trade—Early in February, a 26-man technical and economic mission from China arrived in Paris at the invitation of the French National Centre for External Trade. The Chinese mission was composed mainly of technicians of railways, chemical industry, electricity and coal mining. France is hoping to sell supplies and equipment in these lines to China. In mid-February, a 10,000-ton East German freighter carried 8,000 tons of fertilizer from Wismar (in E. Germany) to Shanghai. On February 28, China and Yugoslavia signed a trade agreement in Belgrade providing for an exchange of £7 m worth of goods each way. Yugoslavia will export chemicals and pharmaceuticals, ferrous products, machinery, textile and tobacco in exchange for Chinese tin and other minerals, asbestos, oil seeds, chemicals, car tyres, raw silk, foodstuffs, tea, fruit juices, machinery and various kinds of consumer goods.

China/SE Asia Trade—Peking sold 25,000 tons of rice to Djakarta. The agreement was signed in Djakarta and deliveries will be completed before the end of March. A new Sino-Burmese trade agreement was signed in Rangoon to "further the economic and trade relations between the two countries as called for by the Chinese and Burmese premiers in their joint statement in 1954."

HK IMPORTS & EXPORTS

Hongkong's entrepot trade and exports of HK products in mid-February were very quiet on account of the Chinese New Year holidays. Imports of foodstuffs from China, sugar from Taiwan, rice from Thailand and cement from Japan were heavy particularly before the holidays but imports of provisions and winter goods from UK, US and Europe reduced. Shipments of vegetables, fruits, provisions and sundries to SE Asia were active before the Chinese New Year but demand

from these countries for paper, metals, chemicals and other European, US, British and Japanese goods remained on a restrictive scale. Exports of produce to Japan also declined. In view of the uncertain demand from SE Asia for various reexports, local dealers refrained from booking heavy replenishments during the month.

Government trade statistics show that exports totalling \$235,946,706 were \$825,405 less than in the preceding month and imports at \$344,925,284 were \$59.7 m lower.

HK/China Trade—Imports of live hogs, poultry, eggs, frozen meat, fruits, vegetables, wines, preserved food, sundry provisions and rice were heavy in the first week but slowed down after the holidays. Oilseeds and other popular produce were still difficult to get from China; only small lots of beans, sesame, rosin and tea reached here during the month. China also sent paper, sawn timber, china, leather goods, lace work, woollen piecegoods, cement, crushed stone, bricks, salt and coal to the local market; the volume was curtailed because prices for most items had advanced.

From the local market, China bought some metals and pharmaceuticals but quantities involved were small because most dealers here considered buying offers too low. Prospect of better demand from China remained dull.

HK/Japan Trade—Imports totalling 20,000 tons arrived mostly during the first half month and consisted chiefly of cement, fruits and sundries. Imports of cotton textiles declined compared with the previous month and the supply of paper was limited in quantity. Booking of replenishments from Japan by local dealers was restricted to small lots of cloth, paper, toys and sundries. In Japan, 16 major textile exporters agreed to limit shipments of cotton piecegoods to HK to 100 million square yards this year; the agreement was submitted early in the month to Japanese Ministry of Trade for approval.

Exports also curtailed chiefly due to reduced shipments of rosin, cassia, beans and other staples from here to Japan. Exports of paints and scrap metals remained on a low level.

HK/UK Trade—A little over 10,000 tons of imports reached here during the month. Principal items included metals, automobiles, cigarettes, dairy products and industrial chemicals. Imports of woollen yarn and piecegoods, wines and provisions declined. Exports of HK manufactures, chiefly cotton textiles and rubber shoes, and staples also totalled about 10,000 tons but the value of imports almost doubled that of exports. Yet some British businessmen and politicians wanted to restrict shipment of several kinds of HK products to UK. A British Parliament Member alleged that HK, with its low-paid labour and Communist capital, was contributing to the sufferings of the Lancashire cotton textile industry. What else

will they think up next? First it was slave labour, then under-paid labour, then substituting Japanese products for Hongkong manufactures, now it is Communist capital! On the contrary, the textile capital in HK belongs to people who had fled from the Communists and British banks here also furnish part of the money. Furthermore, Chinese grey sheeting is now competing with HK products in UK markets. According to recently introduced measures in Britain, Peking can still ship 27 million square yards of cotton piecegoods to UK every year.

HK/Europe Trade—Italy, Netherlands, Belgium, West Germany, Sweden and Finland shipped here about 10,000 tons of paper, metals, cotton and woollen textiles, rayon products, chemicals, automobiles, provisions, dairy products and other consumer goods. Booking of supplies from Europe during the month by local dealers was not as active as during the previous month partly due to the uncertain reexport demand and partly on account of high cost.

Exports to Europe dropped to about 5,000 tons. Consignments of bamboo cane, rattan, walnut meat, citronella oil, woodoil, feather and other staples from here to Europe were limited to small lots. Demand from Europe for HK products was restricted to a few popular items such as shirts, knitwear, plastic products, enamelware, aluminumware, rubber shoes and cotton textiles. Among European buyers, West Germany bought more HK products this year than last.

HK/US Trade—Dealers here imported only about 4,000 tons of American merchandise last month. Principal items included fruits, cotton, blackplate, wheat flour, cosmetics, industrial chemicals and canned food. Exports totalled about 5,000 tons; cotton textiles, shirts, plastic products, rattanware, firecrackers and other HK manufactures constituted the major portion of the tonnage.

Exporters here are optimistic in trade with US; they anticipate more orders from US for HK goods after the Seattle Trade Fair next month. Many local factories are sending their products to the fair. Principal items include shirts, vacuum flasks, metalware, rubber shoes and electric clock.

During the month, the US Government removed the restriction on imports of firecrackers from HK and Macao. Exports of western-style cotton shirts from here to US no longer need Comprehensive Certificate of Origin.

HK/Thailand Trade—Bangkok maintained heavy shipments of rice to the local market but consignments of beans, hide, salt, teak and live cattle reduced. Exports of cotton textiles, structural steels, base metals, plastic products, paper, china, paints, metalware, provisions and preserved meat preparations amounted to 4,000 tons. Demand from Bangkok for HK manu-

factured goods and reexport items remained strong but low buying offers restricted the volume of business.

HK/Indonesia Trade—With the exception of 2 shipments of sugar, imports from Java and other Indonesian territories were very quiet. Exports of cotton textiles, metals, enamelware and other HK manufactures to Indonesia also dwindled on account of the fighting between the Central Government in Java and the Military Authorities in Sumatra and Celebes. Importers in Djakarta could not get enough foreign exchange for their purchases from here and found imports too expensive due to the drop in the value of Indonesian currency and high premium they must pay for exchange certificates. Authorities there also increased the deposit for imports from 20% to 100% of the declared value of shipments.

HK-Malaya Trade—Exports of provisions, vegetables, joss sticks and paper, fruits, cotton textiles and other HK manufactures to Singapore and other Malayan ports remained active throughout the month. Reexports of these items from there to Indonesian territories, particularly to territories outside Java, continued in spite of Djakarta's ban on such trade. Djakarta's preventive measures had curtailed but did not stop the flow of these commodities via Malayan ports to Indonesian territories particularly areas under the control of anti-Sukarno forces.

Orders from Singapore and Kuala Lumpur also covered dried chilli, pharmaceuticals, sugar, wheat flour, beans and other consumer goods but quantities purchased were not large. According to an unconfirmed report, freight charges for cargo from here to Malayan ports will soon be reduced by 15 per cent.

HK/Philippines Trade—Manila extended the validity of barter certificates issued last year for imports of essential supplies. Orders reached here covered only small lots of structural steels, chemicals, pharmaceuticals and other essentials. The US\$6 million rice/copra deal between HK and Philippines was first reapproved but later cancelled by Manila. Authorities there finally decided to buy 42,000 tons of rice from South Vietnam and Cambodia direct at prices higher than HK offers.

HK/Korea Trade—Seoul continued to buy limited quantities of paper, steels, chemicals, pharmaceuticals, woollen yarn and milk products from the local market; buyer offers remained low. In the case of paper, short stock here also restricted the business volume. Imports of gallnut and other staples from Korea remained insignificant chiefly due to high cost. A Korean exporter contacted local dealers for the exchange of Korean dried fish for HK torch light cases.

HK/Taiwan Trade—Exports consisted chiefly of transshipments of rubber and limited consignments of metals

and other essential supplies. Imports of sugar continued heavy but consignments of tea, cotton yarn, ginger, plywood, canned food, feather, camphor products and other produce were limited to small lots. Taiwan exporters offered to supply HK with caustic soda, calcium hypochlorate, calcium chloride and chlorate of potash; no indent was booked because quotations were a little too high. Local dealers also received offers from Taipei to supply HK with cement; 3,000 tons could be shipped here every month at HK\$108 per ton cif.

A Taiwan Handicraft Products Exhibition was held here during the month. Exhibits included embroidery and drawn works, wood crafts, palace lanterns, hats, mounted butterflies, bambooware, buffalo horn carvings, ceramics, mother of pearl items and lacquerware.

HK/Cambodia Trade—Cambodia sent here 5,000 tons of rice, sundry provisions, beans and other produce; rice constituted the major portion of the tonnage. Exports of wheat flour, sugar, provisions, paper, metals and other essential supplies to Cambodia remained moderate in spite of the fact that Phnompenh had recently earmarked US\$400,000 for various essential imports including sugar, cotton textiles, etc. Authorities in Phnompenh encouraged importers there to purchase supplies direct from producing countries instead of obtaining their requirements from Hongkong.

HK/Laos Trade—Vientiane earmarked about US\$1 million for essential imports. But during the month, orders from Laos covered only a few items of metals and provisions; quantities involved were also insignificant.

HK/Vietnam Trade—Saigon sent here several shipments of rice in addition to small lots of feathers, hide, oilseeds and other staples. From here, Saigon bought 300,000 gunny bags and some paper, fruits, vegetables and other supplies. There was however no order for cotton textiles.

HK/Burma Trade—Rangoon shipped here only small quantities of beans, timber, cotton and other native goods. Exports of nails, paper, cotton textiles, canned food, chemicals and camphor products were also much reduced. Rangoon merchants could not obtain enough foreign exchange allocations from the Government for all their purchases.

HK/Ceylon Trade—Exports were only a little over 1,000 tons; principal items were dried chilli, green peas, garlic, enamelware, camphor products, rayon textiles, shoes, china, metal lantern, torch, plastics and cotton piece-goods. Colombo was short of foreign exchange for purchases from here and was obliged to take large quantities of light industrial products and other supplies from Peking under the existing trade agreement between the two countries.

HK/Australia Trade—About 4,000 tons of frozen meat, wheat and wheat flour, zinc ingot, wooltops, hides, fruits and dairy products reached here from

Australia during the month. Local dealers shipped there in return about 2,000 tons of cotton textiles, rattanware, metal manufactures, plastics, gloves and firecrackers. Demand from Australia for woodoil, rosin and other produce was not very keen; only small lots were purchased. Demand for HK manufactures recently turned sluggish, possibly due to keen competition from Japanese goods in Australian markets.

HK/Africa Trade—Imports of cotton, groundnut oil, ivory and other staples from East Africa declined to only about 500 tons. Imports of produce from South Africa also insignificant during the month. Exports to West Africa were better than shipments to South and East African markets. Hongkong products still constituted the major portion of exports to Africa but the volume is not as substantial as it should be, possibly also due to intensified competition from Japanese products.

HK/Canada Trade—Wheat flour constituted the bulk of the imports from Canada. Other principal imports were paper products, canned food, timber and pharmaceuticals but quantities were very small. Exports of produce and HK products to Canada remained on a low level. Prospect of improvement is dull especially in the cases of cotton textiles and rubber shoes because authorities in Canada are con-

sidering to increase import duties on these two items. According to a report from Ottawa, Japan last year took the lion's share of the slowly increasing Canadian trade with the Far East.

HK/India Trade—Imports declined chiefly due to curtailed supply of cotton yarn. Exports also dull; only a few hundred tons of cassia, nails, paper, menthol crystal and other Chinese produce.

HK/Pakistan Trade—Import also dropped on account of reduced shipments of cotton yarn to the local market; dealers here considered that Karachi indents had advanced too much lately.

HK/North Borneo Trade—Imports of rubber, timber, firewood, charcoal and coconut continued heavy but exports failed to improve. Demand from North Borneo was weak mainly because smuggling of luxuries and other merchandise from there to the Philippines remained quiet recently.

HK COMMODITY MARKETS

Produce—There were more enquiries than orders from Japan, Europe, UK, Australia and other buyers. Interest was also centred on a few items only and transactions handicapped by inadequate stock as well as by low buying offers. Supply of oilseeds, feather and other popular staples from China remained restricted; dealers here imported oilseeds, beans, etc. from Cambodia, Burma, Thailand and Vietnam, to meet the demand from local consumers as well as from overseas buyers. Woodoil retained steady demand from buyers in Australia, Canada, New Zealand, Taiwan, Singapore and local paint manufacturers; the bulk of the business was done in forwards. Rosin was short in stock after absorption by Africa, Australia, Thailand, UK and Taiwan. Feathers, HK processed, were favoured by Europe. Chinese feathers remained at a high price level because supply was difficult to get. Menthol crystals and camphor products were purchased by India, Burma and Europe but quantities were limited by inadequate supply from Taiwan and China. Beans were mostly favoured by local food manufacturers; Japan procured various kinds of beans from US and SE Asia direct. Other popular items were maize, sesame, gallnut, cassia, aniseed oil, citronella oil, coir fibre, dried ginger, chilli, tea and tea-seed cake; transactions however covered only small quantities. Many dealers here are optimistic hoping that China may supply more feathers, essential oils, animal by-products, oilseeds and other staples to the local market this year at more attractive prices.

Metals—Local dealers refrained from booking heavy replenishments from Japan and Europe during the month because buying offers from China and SE Asia for structural steels and base metals were still very low and in some cases lower than local market prices which were already below new indents.

Dealers anticipated firmer prices in March/April because (1) stocks of various items were not heavy and bookings during the past few months had been light; (2) demand from SE Asia for various popular items remained steady; (3) local consumption of structural steels and base metals continued heavy; (4) cost of European goods firmed recently although freight charges might be reduced slightly. On the other hand, gains will be restricted because China's offers will remain low and SE Asia is now getting large consignments direct from Japan thus limiting purchase from here to bargain hunting.

During the month, mild steel round bars and other structural steels retained demand from Thailand, Laos, Korea and Philippines in addition to steady local consumption. China was interested in galvanized iron pipe, tinplate and blackplate waste waste, galvanized iron sheet and zinc ingot. Orders from Korea and Thailand also covered galvanized iron pipe and mild steel plate. Japan bought some scrap iron from here but quantities involved were not impressive.

Paper—Korea remained the number one buyer for paper in the local market with interest covering newsprint in reels, sulphite, kraft, tissue, cellophane, aluminum foil, duplex board, woodfree printing, cigarette paper and glassine. Quantities involved however were restricted by the limited stock of European and American products; several orders were therefore concluded for forwards. Small replenishments of a number of popular items were booked by dealers here from Europe and Japan; indents in most cases were still too high. The market last month was also kept steady by orders and enquiries from Taiwan, Vietnam, Indonesia and Cambodia for various printing, writing and packing paper but many transactions fell through because dealers here refused to mark their prices further down on account of the high replenishment cost.

Industrial Chemicals—In spite of the fact that most quotations in the local market were lower than new indents, buying offers from Korea, Taiwan and SE Asia were even lower; consequently trading volume was restricted. Popular items which retained export demand included sodium hydrosulphite, sodium nitrate, acetic acid, stearic acid, linseed oil, ammonium chloride, caustic soda, lead oxide, calcium hypochlorite, petrolatum, lithopone, shellac, formalin, chlorate of potash, rongalite C lumps, gum arabic, gum copal and tanning extract. Demand from local factories for soda ash, sodium bicarbonate, acetic acid, oxalic acid, caustic soda, calcium hypochlorite, lithopone, chlorate of potash and paraffin wax was steady but consumption was limited in volume. On the whole, the market was uncertain because demand from Korea, Taiwan and SE Asia was unpredictable. This was probably due to the fact that China was sending an increasing num-

ber of chemicals to SE Asia while Korea turned to Japan and other manufacturing countries for direct supply whenever possible. Taiwan's demand covered only a few items; on the other hand, Taiwan last month offered to supply the local market with a number of industrial chemicals.

Pharmaceuticals—Items which retained demand from Singapore, Korea, Thailand, Philippines and China were PAS powder, sulfonamides, aspirin, phenacetin, quinine, saccharine crystal, saccharum lactose, amidopyrin, salicylic acid, acetanilide and vitamin powders. Turnover was small because stock here dwindled while local dealers hesitated to book large replenishments. Local patent-medicine manufacturers favoured sulfonamides and vitamin powders but quantities were also insignificant. Prices however were steady in general. Most dealers now budget their business chiefly according to the wholesale volume of imported patent medicines to local buyers and are not interested in meeting the uncertain export demand.

Cotton Yarn—The spot market was very quiet throughout the month. HK yarn however was very firm because forwards of the next few months had already been sold out. Imported brands were therefore kept steady especially yarn of those counts which dwindled in stock. Demand from Thailand for Pakistan yarn and increased indents from Karachi helped to sustain a firm trend for this product.

Cotton Piecegoods—With the exception of some small orders from Thailand for Japanese white cloth and from Indonesia for furnishing cloth early in the month, demand from SE Asia was weak. Orders from UK, Europe, Africa, Australia and UK for HK cloth however kept local brands very firm. Chinese and Japanese grey cloth first declined because the spot market was sluggish but towards month-end turned steady on demand from local processing factories which could not obtain enough local greys.

Rice—Bangkok prices were marked up on account of increased shipments from there to Singapore, Malaya, Korea and other markets. Wholesale and retail prices in the local market however remained low because imports from Bangkok, Phnompenh and Saigon were heavy. Supply of white rice from Canton was also steady. Towards month-end, the market turned firmer because Bangkok indents further advanced and local demand improved after the holidays.

Wheat Flour—HK products retained strong local and export demand but towards month-end eased slightly under keen competition from Japanese and other imported brands which arrived in large quantities during the month.

Sugar—Imports from Taiwan remained heavy. Granulated sugar was firm during the first half-month on orders from Cambodia but dipped towards month-end when more supply arrived and demand from Cambodia was not sustained. Hongkong granulated was

firm on steady local demand and orders from Singapore and Malaya. Brown sugar failed to improve on better local demand because imports from Indonesia were heavy during the month.

Cement—HK Green Island products were very firm during the month on strong local demand and orders from Singapore and Malaya. Imports from Japan were very heavy during the month but prices remained on a steady level because local contractors also used large quantities of Japanese cement particularly on account of the restricted supply from China. Dealers here were also considering to import cement from Taiwan.

HK COMMODITY PRICES

PRODUCE

Aniseed Star—Kwangsing, export quality, \$107 per ton c & f Europe. **Camphor Tablets**—HK, prices per lb: 1/16-oz tab, \$3.10; 1/8-oz tab, \$3; 1/4-oz tab, \$2.95; 1/2-oz tab, \$2.90 lb. **Cassia**—Broken, Kwangsing, A grade, \$170 per picul. **Lignea**, 200s per 80-lb bale c & f Chittagong. **Coir Fibre**—Szechwan, \$125 per metric ton cif Japan. **Feather**—Duck, export quality, NN 85%, 4s 3d per lb. Goose, HK GGS 90%, 6s 5d per lb. Dyed Hen, HK, 11d per lb; South China, 73d per lb. All prices c & f Europe. **Hog Bristles**—Tientsin, No. 55, black, 28s 4d; No. 26, 24s 1d. Hankow, No. 17, black, 23s 4d; No. 5, 9s 10d. All c & f Europe per lb. **Menthol Cryst**—HK, \$37.50; Taiwan, \$33 per lb. **Peppermint Oil**—HK, \$15; Shanghai, \$22; Taiwan, \$14.50 per lb. **Dried Chili**—Hunan, new, \$120 picul. **Rosin**—South China, mixed, A grade, \$102 per quintal; N grade, c & f Australia, \$62/15/0d per metric ton. **Mustard Seed**—Tientsin, \$85 picul. **Sesame**—East Africa, yellow/white, \$90 picul. Thailand, black, new, \$88; brown, \$77. Cambodia, brown, \$76; black, large, \$84 picul. **Aniseed Oil**—China, in drum, 8s 8d per lb c & f Europe. HK, in drum, \$840 picul. **Camphor Oil**—Taiwan, in drum, \$125 picul. China, in drum, \$120. **Cassia Oil**—China, 80/85%, \$1,350 picul. **Citronella Oil**—Hainan, forward, 4s 10d per lb c & f Europe. Taiwan, forward, US\$0.72 per lb c & f New York. **Eucalyptus Oil**—Shanghai, 67d per kilo c & f Europe. **Ginger Oil**—Shanghai, 190s per kilo c & f Europe. **Lemon Grass Oil**—South China, 7s per lb c & f London. **Spearmint Oil**—Shanghai, 40s per kilo c & f Japan. **Woodoil** (refined)—Spot in bulk, \$129 per picul. Forward, per long ton: \$120 c & f Australia; \$130 c & f New Zealand; \$125 c & f Japan. **Turpentine**—South China, 1st grade, forward, \$71 per metric ton c & f Australia. **Bitter Almond**—Tientsin, red membrane, new, \$165 picul. India, \$128. **Gallnut**—China, \$335 per metric ton c & f Europe. **Dried Ginger**—Hunan, white, peeled, 1st quality, \$4,000 per metric ton. **Maize**—Thailand, yellow, forward, \$22.50 picul. Burma, white, forward, \$21.50. **Taro Chip**—Sze-

chwan, 1956 crop, £120 per metric ton c & f Japan. **Black Bean**—Shanghai, \$175 picul. **Broad Bean**—Chekiang, \$45 picul. **Green Pea**—Cambodia, large, \$58 picul. Thailand, 1st, new, \$66. Anhwei, \$58.50. **Red Bean**—South Vietnam, new, \$53.50 picul. North China, \$55. **Soya Bean**—Dairen, new, spot, \$48.50 picul. Cambodia, \$49.20. **String Bean**—Burma, large, forward, \$42 picul. **Groundnut Kernel**—Tsingtao, unsorted, new, \$92.50 picul. **Haricot Bean**—Chekiang, \$67 picul. **Groundnut Oil**—Africa, in drum, \$152 picul. China, \$125. Cambodia, \$130. Indonesia, old, \$120. Thailand, \$146. **Soyabean Oil**—Japan, spot, \$112 picul.

METALS

Mild Steel Angle Bars—Europe: 1/2" x 1" x 1", \$44 picul; 1/2" x 2" x 2", \$39; 1/2" x 4" x 4", \$42. **M.S. Flat Bars**—Europe: 1/2" x 1/2", \$46 picul; 1/2" x 1" to 2", \$44. HK: 1/2" x 1/2" to 1" and 1/2" x 1/2" to 2", \$36 picul. **M.S. Round Bars**—Europe: 1/2" dia, \$33 picul; 3/8" dia, \$32.50; 1/2" dia, \$35. HK: 1/2" dia to 1" dia, \$35 picul. **M.S. Square Bars**—Europe: 1/2" to 1", \$44 picul; 1 1/4" to 1 1/2", \$44.50. **M.S. Plate**—Japan, 4' x 8'; 1/2" thick, \$42 picul; 3/16", \$42.50. **Galvanised Steel Sheet**—UK, 4' x 8', 1/32" to 1/8" \$0.57 pound. **Steel Wire Rope**—UK, 24 x 6 x 7: 1 1/4", \$1.90 lb; 1 1/2", \$1.75. HK, 24 x 6 x 720: 1 1/4", \$1.50; 1 1/2", \$1.20; 2 1/2", \$1.05; 3", \$1. **Tinplate Waste Waste**—Coked: UK, 18" x 24", \$85 per 200-lb case. Electrolytic: US, 18" x 24", 1 ton skid, \$75 per 200 lbs; UK, \$73. **Misprint**: US, 18" x 24" and larger, \$41 picul. **Blackplate Waste Waste**—UK, 18" x 24" and larger, G29/G33, \$40 picul. **Tinplate**—UK, 20" x 28", \$127 per 200-lb case of 112 sheets with tinlining. **Galvanised Iron Sheet**—Japan, 3' x 7': USSG 28, 56c per lb; USSG 34, \$4.40 per piece. **Blackplate**—Japan, 3' x 6', G18, \$59 picul. **Aluminum Sheet**—Japan, 99.5% alloy, 4' x 8', G22, \$1.90 lb; UK, rolled, 2' width, G22, \$1.90 lb. **Brass Sheet**—UK, 4' x 4', 20/40 lbs per sheet, \$240 picul. **Copper Sheet**—Europe, 4' x 8', 1/8", \$2.20 lb. **Black Iron Wire**—Europe, G18/G22, \$46 picul. **G.I. Wire**—Europe or Japan: G10, \$53 picul; G14, \$57; G18, \$65; G22, \$66. **Black Iron Pipe**—Europe, 18' to 22' length, 1 1/2" dia, \$1.10 per foot. **G.I. Pipe**—Europe, 18' to 22', 1" dia, 74c ft. **Steel Box Strapping**—Japan, cold rolled, steel, black, 3/4", G20, \$54 picul. **Wire Nail**—HK, 3/4" x 17, \$65 picul; 1" x 15, \$55; 1 1/2" to 7", \$52. Europe, 5/8" x 18 BWG, \$80 picul; 1 1/4" x 14 BWG, \$54. **Scrap Iron**—Wrought iron, 1st choice, \$220 per ton; 2nd, \$100. Iron plate, ship salvage, 3/4" and over, \$23 picul.

PAPER

Newsprint—In reels, 31", 50/52 gr: US, 45c lb; Canada, 44 1/2c; China, 44c; Norway, 44 1/2c; Austria, 44c; Finland, 45c; Japan, 42c. In ream, 31" x 43", 50/52 gr, 48/50-lb ream: Europe,

\$24.50 ream; Japan, \$21.50; China, \$24. **Aluminum Foil**—UK, 4 1/2" x 6 1/4", thin, \$2.55 lb. Germany, similar quality, \$2.55 lb. Italy, Holland and Germany, golden, 50 gr, 28-lb ream, 20" x 26", thick, \$78 per ream; silver colour, \$50. **Cellophane**—UK, 30 gr, 36" x 39", \$69.50 ream, forward. **Strawboard**—26" x 31", Japan: 8 to 16 oz, \$500 ton; 12/14 oz, \$505; 20/32 oz, \$490. **Bond Paper**—White, 22" x 34", 60 gr, 32-lb ream: Europe, \$31.50 ream; Japan, \$22. Coloured: Europe, \$33.50; Japan, \$25. **Wood-free Printing**—Austria, 31" x 43", 50 gr and below, 43/48-lb ream, 80c lb. Japan, 60/100 gr, 57/100-lb ream, 68c lb. **Mechanical Printing**—Europe, 60 gr, 57-lb ream, \$32.50 ream. **Manifold**—White, 22" x 34", Europe, 30 gr, 16/17-lb ream, \$18.30 ream; China, 28 gr, 15-lb ream, \$12.40. Coloured, 30 gr, 15/16-lb ream, Europe, \$18.50 ream; China, \$13.50. **Poster**—China, 31" x 43": 19 1/2 kilo, 42-lb ream, \$20.60 ream; 21 1/2 kilo, \$22.30 ream. **Tissue**—Austria, 25" x 44", 17 gr, 13 1/2-lb ream, forward, \$16.10 ream. Norway or Sweden, forward, \$15.90 ream. **Duplex Board**—Sweden, 300/420 gr, 280/380-lb ream, 31" x 43", 66 1/2 lb. **Chip Board**—Norway, with grey black, 31" x 43", 290 gr, 280-lb ream, 54c lb; 250 gr, 240-lb ream, \$120 ream; 230 gr, 220-lb ream, \$118 ream. **M.G. Pure Sulphite**—Sweden, 20 gr, 17-lb ream, 30" x 40", forward, \$14.30 ream. **M.G. Pure White Sulphite**—Sweden, 34 gr, 40-lb ream, 35" x 47", forward, \$29.50 ream. **M.G. White Sulphite**—Europe, 40 gr, 47-lb ream, 35" x 47", \$30.40 ream. **M.G. Ribbed Kraft**—China, 48-lb ream, 35" x 47", \$25.50 ream. **Un glazed Pure Kraft**—Japan, 30/140 gr, 90/160-lb ream, 35" x 47", 65c lb. **Un glazed Kraft**—China, 40/80-lb ream, 35" x 47", 60c lb.

INDUSTRIAL CHEMICALS

Acetic Acid—Germany, glacial, 99/100%, 25-kilo carboy, 80c lb. **Citric Acid**—UK, crystal, 50-kilo barrel, \$2.20 lb. **Cresylic Acid**—UK, 448-lb drum, 72c lb. **Sulphuric Acid**—HK, 750-lb drum, 13c lb. **Ammonium Chloride**—UK, 1 1/2-cwt gunny bag, \$690 per ton. **Bicarbonate of Ammonia**—Germany, 50-kilo drum, \$620 ton; China, \$21 per 50-kilo bag; UK, \$48 per 100-kilo bag. **Bleaching Powder**—UK, 35%, 50-kilo drum, \$38 drum. **Calcium Hypochlorite**—Japan, 60%, 50-kilo drum, 55c lb. **Caustic Soda**—China, \$114 per 200-kilo drum. **Cup Grease**—UK, 400-lb drum, \$0.42 lb. **Formalin**—UK, 504-lb drum, 36c lb. **Glycerine**—Holland, specif gravity 1.260, 250-kilo drum, \$1.62 lb. **Gum Arabic**—Sudan, \$1.04 lb. **Gum Copal**—Malaya, No. 1, 140-catty gunny bag, \$215 per picul. **Gum Damar**—Malaya, No. 1, 140-catty gunny bag, \$280 picul. **Lithopone**—Europe, 30%, 50-kilo bags, 34c lb. **Mercury**—Italy, 76-lb flask, \$2,570 picul. **Petrolatum Amber**—Germany, 180-kilo drum, 23c lb. **Lemon Shellac**—India, No. 1, 164-lb case, \$230 picul. **Soda Ash**—China,

80-kilo bag, \$28 per bag. **Sodium Sulphide**—China, 160-kilo drum, \$600 per ton.

PHARMACEUTICALS

Penicillin Oral Tablets—UK, expiration date 1961, 61c per carton of 12 tablets each of 50,000 units. **Procaine Penicillin-G Crystalline**—UK, 50c per vial of 1 dose of 100,000 units. **Procaine Penicillin-G in Oil with Aluminium Monosterate**—UK, 1960, \$1.40 per vial of 10 cc each containing 300,000 units. **Dihydrostreptomycin**—UK, 1962, 71c per vial of 1 gram; 1959, 68c. **Sulfadiazine Powder**—France, \$21.80 lb. **Sulfaguanidine Powder**—UK, \$7.80 lb; Italy, \$7.40. **Sulfathiazole Powder**—UK, \$10.80 lb. **Quinine Hydrochloride**—Holland, \$188 per 100-oz tin; UK, \$175. **Aspirin Powder**—UK, \$3.25 lb. Germany, \$3.15. **Amidopyrin**—Germany, \$18.50 lb. France, \$19.50. **Vitamin C Powder**—Germany, \$53 kilo tin. **Creosote**—Germany, \$4.40 lb. **Gum Acacia**—UK, grade 2, \$2.30 lb. **Mercuriochrome Crystal**—France, \$30 lb. UK, \$35.50 per 500-gm bot. **Tragacanth Powder**—UK, \$3.50 lb.

COTTON YARN

Hongkong Brands—10 counts, \$760 to \$920 per bale; 12's, \$930 to \$960; 20's, \$925 to \$1,050; 30's, \$1,340 to \$1,350; 32's, \$1,320 to \$1,390; 40's, \$1,420 to \$1,490; 42's, \$1,600. **Japanese Brands**—32's, \$1,260 bale; 40's, \$1,280 to \$1,310; 42's, \$1,440 to

\$1,470. **Indian Brands**—10's, \$729 to \$795; 20's, \$870 to \$970; 32's, \$1,125 to \$1,145. **Pakistan Brands**—10's, \$755 to \$795; 12's, \$865; 20's, \$890 to \$985; 32's, \$1,150 to \$1,265. **Korean Brands**—10's, \$820; 20's, \$988; 32's, \$1,270.

COTTON PIECEGOODS

Grey Sheeting—Chinese brands: 63 x 64, 36" x 40 yds, \$34 pc; 72 x 69, 38" x 40½ yds, \$26.50; 60 x 60, 36" x 40 yds, \$32; 60 x 56, 36" x 40 yds, \$31.50. **Hongkong brands**: 60 x 56, 36" x 40 yds, forward, \$36.50 to \$38.50 pc. **Indian brands**: 44 x 48, 35" x 40 yds, \$23 pc. 40 x 36, 35" x 40 yds, \$22. **Japanese brands**: 72 x 69, 38" x 40½ yds, \$26 pc. **Grey Jean**—Chinese brands, \$26.60 pc. **Hongkong brands**, \$26.50 to \$27 pc. **White Cloth**—Japanese brands, No. 16000, \$42 pc; No. 10000, \$41; No. 17000, \$37.50. **White Shirting**—Japanese brands, 36" width, \$1.05 to \$1.49 per yard.

RICE

White Rice (whole)—Thailand, special, \$60.90 picul; 1st, \$59.60; 2nd, \$58.60. **White Rice**—Thailand: special 3%, new crop, \$56.30 picul; 5%, new, 1st, \$55.90; 10%, new, 1st, \$54.40; 75%, \$45.50. **Cambodia**: special, \$53.80; 1st, \$52.80; 2nd, \$49.30. **North Vietnam**: 1st, \$49. **Burma**, \$38.50. **China**, \$45.90 to \$55.10. **Chai Mei**—Canton, 2nd, \$54.50. **See Mew**—Canton, 1st, new, \$59.80. **Broken Rice**—Thailand: A1 extra,

\$44.30; A1 special, old, \$43.80; A1 ordinary, \$41.70; C1 special, old, \$33.50. **North Vietnam**, \$35.30. **Cambodia**, \$37.90. **Glutinous Rice**—Thailand, 1st, \$41.

WHEAT FLOUR

Hongkong Brands—\$12.70 to \$17 per 50-lb bag and \$34.80 per 150-lb bag. **Australian Brands**—\$12.70 to \$13.70 per 50-lb bag and \$40 per 150-lb bag. **American Brands**—\$15.70 per 50-lb bag and \$27.50 per 100-lb bag. **Canadian Brands**—\$15.30 to \$18 per 50-lb bag and \$33.50 per 100-lb bag. **Japanese Brands**—\$11.80 to \$13.50 per 50-lb bag.

SUGAR

Granulated Sugar—Taiwan: No. 24, refined, \$44.20; No. 18, \$38.30. **HK**, fine, \$44. **Japan**, fine, \$44.50. All prices per picul. **Brown Sugar**—HK, \$36.60 picul. **Indonesia**, \$39.50. **Africa**, 3rd grade, \$47.50. **Candy Sugar**—HK, 2nd quality, \$48 picul.

CEMENT

Hongkong Brands—Emeralcrete, rapid hardening, \$7.80 per 112-lb bag. **Emerald**: \$6.40 per 112-lb bag; \$5.70 per 100-lb bag. **Snowcrete**: \$73 per 375-lb drum; \$15.80 per 1-cwt bag. **Japanese Cement**—Ordinary cement, \$5.60 per 100-lb bag. **White cement**, \$14.40 per 1-cwt bag. **Chinese Cement**—Ordinary cement, forward, packed in 45-kilo bags, \$110 per metric ton, cif HK ex-ship.

HONGKONG NOTES AND REPORTS

(Continued from Page 342)

product; "Made in Hongkong" was stamped on the inside of the backs of the watches but was removed and stamped with the words "Swiss Watch" instead.

Peking Airlines—The Hongkong offices of the China National Aviation Corporation and the Central Air Transport Corporation, which defected to the Peking regime seven years ago, resumed operation recently. **CNAC** on the ground floor of Gloucester Building and **CATC** in the Shell House both offer to reserve flights in China for travellers who wish to use the domestic air services on the mainland. These two offices also accept payment for air passages in advance. If the fare is to be paid in Canton or elsewhere in China, a deposit of HK\$6 is required when making the reservation.

Industrial Supervisors—Government is investigating the potential demand for officially-sponsored training courses for supervisors in industry, commerce and public administration, and the possibility of establishing here the system of training for supervisors known as Training Within Industry (T.W.I.), which has been introduced successfully in many other countries in recent years. To carry out this investigation government has invited an UK expert, Mr. D. J. Marler, to visit the Colony for two months and make a report.

T.W.I. is a system of training aimed at developing in supervisors the three skills of instructing, leading, and improving methods. The problem of training supervisors in the three skills is essentially one of modifying their attitudes towards certain aspects of their duties—it is a problem of replacing traditional habits and attitudes by a methodical and objective technique. The aims of T.W.I. are achieved through three courses:—job instruction, job relations, and job methods. Job instruction is concerned with the skill in giving clear and unambiguous directions and in instructing workers in what they have to do and

how they should do it. Job relations is concerned with the skill in handling human relationships on the job. Job methods is concerned with the development in the supervisor of a scientific management approach to the improvement of working methods, with a view to cutting out unnecessary work and hindrances. Mr. Marler will be holding discussions with employers, trade unions, Government departments and other people likely to be interested, and giving talks on T.W.I.

"Flush" Facilities—Owners of property and tenants of houses in the present "no flush" zone in Kowloon, can now instal flush closets with the completion of a new drainage scheme for the disposal of foul sewage from the three densely populated districts of Yaumati, Mong Kok and Shamshuipo. This large engineering project, costing \$4,250,000, has taken just over three years to complete. The new system has been designed to cope with anticipated building development in an area with an estimated future population exceeding 700,000 people. The area drained by the new system extends to about 1,200 acres of heavily built-up land.